# ADVANCED Management

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# ADVANCED Management

*Progress Through Enlightened Management*

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AM

EDITORIAL

# IDEALS MEN LIVE BY...

Personal goals might well center around doing all we can to develop our ability — not just to manage, but to cause, major innovations — our ability to make really worthwhile contributions to our organizations, and through them, to the needs of our nation.

Our personal goals might be something along this line:

— To develop a strong sense of purpose and direction.

— To provide time for thought, b. more particularly to place the proper value on thought and on intellectual reserves.

— To rise above merely fulfilling the expectation of others, and to be strong enough to use our inner resources to develop our creative capabilities.

— To learn how to use voluntary power as a creative force.

What we are all hoping for is to have the courage, the self-control — the energy, the intelligence and the intuitiveness to rise to the needs of our historical opportunity — to our voluntary tasks.

The task of our voluntary organizations is to search intelligently for broader and higher purposes through which we can help our country reach its goals.

Our task as individuals is to be not only tough and tenacious in spirit — but to use to the utmost our talents and capabilities, to have a high sense of mission — to be innovators — to grow in usefulness as resolute people — and for the constructive good of resolute people.

These are ideals — men live by ideals.

"Ideals are like stars — you cannot touch them with your hands, but, like the seafaring man on the desert of waters, you choose them as your guides, and, following them, you reach your destiny."

ARCH N. BOOTH
*Executive Vice President*
*U.S. Chamber of Commerce*

*(Ed. Note: Mr. Booth received the 1960 Voluntary Leader of the Year award of the American Society of Association Executives. His inspiring comments regarding a resolute person's relations with a voluntary organization have great significance to SAM members.)*

# THE CORPORATION AND THE MODERN NOVEL

BY ROBERT W. HAYS

REALISTIC FICTION which is great fiction is going to be increasingly difficult to write, at least if the subject is U. S. business and industry. Industry is simply not any longer an inviting environment for a realistic — in the sense of verisimilar — novel or an atmosphere which lends itself well to realistic fictional treatment. The corporation's activities will present case problems for the professional writer of texts on industrial management; but today's industrial setting will stretch the ingenuity of the fictional artist well beyond its point of maximum elasticity.

A great novel demands character and conflict. In the great novel the writer must create a capsule of life itself, a man as a man and yet a man with the tools and impedimenta of many men. The hero must evolve from life stuff itself, and what he does must reflect a loyalty to the life he must live and the conflicts he must face. His conflicts may be either man versus himself or others, or they may be man versus nature and things. Steinbeck has used the former; Melville used both. In the hands of lesser writers the conflict electroplates character, but the great novelist forges character with conflict. At the end of the book the reader must say, "I know this fellow well."

The hero need not be the man next door, and his conflicts need not be faithful to Gallup's reports. And yet, the conflict must appear to the reader as something which could happen. The reader does not expect an absolutely authentic biography; in fact, the novelist is to the historian or biographer as the portrait painter is to the photographer. But the reader expects that the character will act as a real person, and perhaps look just a little more like a real person than a real person looks. This faithfulness is what the statistician calls "validity," or what this article calls "realism," here almost equated with "verisimilitude."

The modern U. S. industrial scene denies the writer a stage for character and conflicts and realism at the same time. Four factors have caused this: the correction of many abuses prevalent half a century ago; a tremendous expansion in the size, number, and complexity of organizations, with growing fuzziness in the organization man; administration through specialists and bureaucracy; absentee ownership and its corollary, widespread if superficial acquaintance with the way industry works.

Things, of course, have not always been so. Between the Civil War and World War II a writer could floodlight social and economic abuses rather easily. Both William H. Whyte, Jr., and Robert Kavesh, in *The Organization Man* and *Businessmen in Fiction* have pointed out that industrial people have suffered at the hands of novelists during this century. The abuses may have appeared more common than they really were. Sinclair found the background setting for his *Jungle* merely by following his nose to Chicago's stockyards. Here were the makings of a vigorous novel: class warfare as the hog butchers first flexed their organized might; conditions in which human beings should never have to live;

an economic obligarchy leeching the blood of faceless thousands; murder of beasts and slow homicide of man. Sinclair showed Durham, Brown, and Jones of the Beef Trust engaged in all sorts of brutality and illegality. The robber barons of the stockyards were forming trusts in restraint of trade, adulterating foodstuffs, operating unhealthful plants, strikebreaking with imported goons, and viewing the workers' needs with complete irresponsibility. Sinclair started a reform crusade, and simultaneously, created a telling piece of fiction.

Sinclair Lewis drubbed the entrepreneur in several novels. Babbitt, for example, was a small-scale capitalist, a hustler who lived well on real estate commissions and suffered from his own ineffectuality. *Babbitt* was a chronicle of the local entrepreneur before the Great Depression.

In *The Financier* Dreiser depicted economic conditions in Philadelphia during the middle third of the nineteenth century. Frank Cowperwood, the financier, rises from marginal middle class to millionaire status by pyramiding holdings in street-railway stocks and by selling short in the panic of 1873. The short-selling was completely legitimate; the pyramiding required use of city funds to cover marginal purchases. Cowperwood serves a brief penitentiary sentence, but conviction stems from vindictiveness of a politician rather than from widespread moral indignation. If Dreiser is to be believed, Cowperwood's transactions were of a type widely practised in his era.

Scott Fitzgerald's *The Last Tycoon* had a prophetic title. This, the author's last novel, was in an unfinished state at his death. The novel is set in Hollywood in the mid-thirties. The last tycoon, Monroe Stahr, is a movie colossus, a driving, almost Napoleonic individual whose every word is a command to his underlings at his studio. He is a beneficent despot, the dynamic industrial leader summed up in Fitzgerald's notes to the unfinished manuscript: "But when you're planning a new enterprise on a grand scale, the people under you mustn't ever know or guess that you're in any doubt, because they've all got to have something to look up to, and they mustn't ever dream that you're in doubt about any decision." From his outline of the rest of the story it is clear that Fitzgerald intended Stahr to be the last of the tycoons. He, the individual leader, would have to fight for his company against the unions, his own stockholders, and the dictates of the popular taste. He was to be a modern Horatius astride the bridge of Vine Street.

But Sinclair wrote the *Jungle* nearly sixty years ago. Babbitt is now more than a generation older. *The Financier* appeared in 1927, and Fitzgerald died in 1940. And 1904

*A typical shareholder's meeting includes doctors, lawyers, merchants, etc., and not the tycoons of yesteryear.*

is not 1960 — and 1960 is not yet 1984. If the stockyard workers live happier now, the novelist does not. Neither photographer nor artist, news reporter nor novelist would find the meatpacking industry the same as Sinclair found it.

The times have indeed changed. Prosperity, lessons learned in the depression, and governmental regulations have increased the general welfare, enlarged the middle class, dispersed the ownership of corporations, made canned meat safer to eat; but the changes will make, in truth have already made, "great realistic fiction about business" a contradiction of adjectives. Babbitt would be a different man today, somewhat cleansed of his sins by the FHA, and a minor charlatan at the worst. His life might still lead nowhere, but he would have little opportunity for the "shady deal."

Real-life industrial men are not so clearly defined as they were in grandfather's day. It is therefore hard to create a hero against a backdrop of conflicts in modern industry. Today it is hard to find a protagonist and even harder to find an antagonist. Where are the Harrimans, the Rockefellers? Their sons and grandsons are being elected to political office. They are not founding empires. The industrial hero who used to manipulate fabulous stock transactions has almost faded into the history books and *Little Orphan Annie* strips. In his place is the corporate executive who could not appear as Robert the Bruce or Daddy Warbucks to anyone. Most of even his own stockholders do not recall his name, unless he appeared recently on the cover of *Time,* or unless they protested his bonus in the last stockholders' meeting. He is neither angel nor devil, and even if he wished to be, the deferred retirement plan would eliminate him year after next.

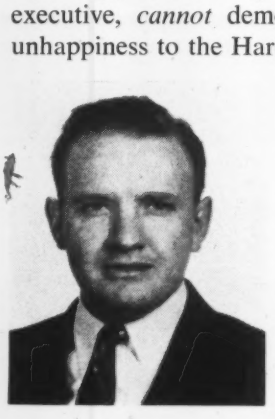
It is hard to make the hero outstanding for his goodness because, for one reason, today's real-life industrial leader is not a free agent. The correction of social and economic abuses has fettered the free-wheeling abusers. The Securities and Exchange Commission, the F.D.I.C., the various laws regulating business and industry have restrained the pirates. Even if industrialists, like other people, are not any better than they used to be, their opportunities for evil are more circumscribed. Integrity requires less effort, and industry's leaders have become blurred. Virtue hardly deserves the name if born only of fear of the District Director of Internal Revenue.

Besides governmental regulations, the growth of the large corporate enterprise has limited the radius of the industrial leader. It would thus be even more difficult to create an evil genius of industry. If the novelist heeded the realities of the industrial situation, he would hardly produce more than a petty five percenter. The modern industrial concern is too complex for mastery — how many closely held large corporations can a reader name? Suppose the novelist wants his evil genius to strangle the U. S. through control of communications. The evil genius would need at least $12 billion (at the time of this writing) to control, even with buying on the margin, 51 percent of AT&T. If it be argued that 51 percent would not be essential to control, the U. S. Attorney General's office could attest the perplexities of trying to prove that a large family's one-fourth interest in General Motors constitutes control. Despite that great leveler, the federal income tax, fortunes are still being made; but even the chairman of General Motors (salary plus bonus, not including contingent credit awards, in 1959, $553,100) would have to work many lifetimes to gain control strictly through savings of salary and bonuses. Capital gains achievement might be much faster, but the capital gains tax favors the investor and not the Wall Street buccaneer.

There are undoubtedly men with moral weaknesses in industrial supervision. But they find that they must operate within a small sphere. As Crawford Greenewalt, du Pont's president has said, "A disposition on the part of a single individual within the organization to be a scoundrel would encounter tough going." To depict the nation struggling in the death-grip of a single industrial tycoon or to show a sizable segment of the economy suffering the evil manipulations of a single man would hardly be faithful to life.

Moreover the fictional hero could not entrap himself. The evil genius could not plant seeds of his own destruction; and even if he did, his denouement, brought on by a tragic flaw, would be a rippling eddy, not a tidal wave. The tragic flaw would have little opportunity in a truthful novel to manifest itself; industry has a way of rubbing off the young manager's rough edges years before he reaches the presidency. Group dynamics and the Friday morning supervisors' meeting will curb the zealot. As James C. Worthy, a Sears, Roebuck vice president, points out, modern business ethics do not invite the excesses of zeal. Industry's managers are professionals. They may be fired, they may move on to other organizations, yet worlds do not collide or the heavens quake at destiny's fulfillment.

Abstentee ownership is another typical industrial pattern today. Dun & Bradstreet reports that 21 thousand enterprises — less than 1% of the nation's total — represent over half of the U. S. business; most of these are sizable corporations; many of them have thousands of stockholders; U. S. Steel has over two hundred thousand, more than half of them women. The day of the small family controlled and individually led concern is past. Marquand, in *Sincerely, Willis Wayde,* showed this when the small New English mill of the Harcourts merges with and is then swallowed by a much larger corporation. Creating Willis Wayde is about as close as a novelist can come to inventing an industrial hero who moves in a realistic setting; in a preface Marquand argues that "good fiction is seldom achieved if it follows life too carefully." Willis Wayde, once he becomes a corporation executive, *cannot* demonstrate a tragic flaw. In bringing unhappiness to the Harcourt workers by closing their plant,



*Professor Robert Hays heads the English Department at the Southern Technical Institute of Chamblee, Georgia. A prolific writer, his articles have appeared in a wide range of periodicals.*

Willis Wayde simply obeys the inexorable principles of productive economics.

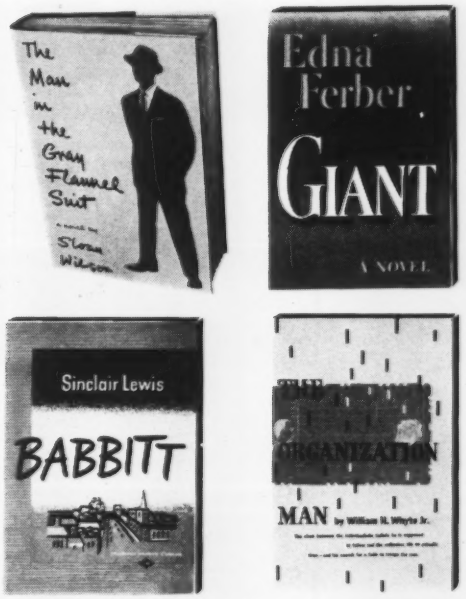
In *Executive Suite,* Cameron Hawley hints of a tragic flaw with his nearsighted comptroller. The comptroller forgets that people count too — just as much and perhaps more than decimal points on the balance sheet. But the comptroller lacks the dimensions of a great fictional character. He never really has a chance, the conflict does not quite develop, the stockholders are on the side of the seraphim, and the comptroller misses election to the presidency. The president will be a human relater, a Hobson's choice, who knows how to coordinate the efforts of others and how to persuade majority stockholders.

Absentee ownership might seem at times to heighten conflict, but this is merely another illustration that the unusual is news. The recent proxy fights of the New York Central and of Montgomery Ward made the headlines largely because the other 1200 firms listed on the New York Stock Exchange were not in the throes of a proxy fight. Montgomery Ward's Sewell Avery and financier Louis Wolfson offered prototypes of fictional heroes if ever industry shall have two to offer. Yet thousands of doctors, lawyers, merchants, etc., settled the "Monkey Ward" fight by scribbling names on proxy statements.

All of these comments do not argue that a novel about business or industry cannot be written. Edna Ferber did it, only a decade ago, with *Giant*. Sloan Wilson almost did it with *The Man in the Gray Flannel Suit*. But neither of these showed typical industry — that is, corporate manufacturing — any more than Fitzgerald's last tycoon was a typical industrialist. The oil-cattle empires, perhaps the last outpost of the entrepreneurs, are headed for the corporate operation. Wilson's novel really did not concern the network radio business. His sketch of the president of United Broadcasting shows more about the man than about his job. Wilson's young man in gray flannel is merely mired in the frustration of staff work.

What then? Will it become impossible to write a business novel as these trends continue? Certainly not. For one thing, the novelist may adopt Marquand's solution, that of not introducing too many details but making the business-related details realistic. To repeat, the details must be probable. Too many people are becoming familiar with industry's workings to be completely deceived; more than twelve million Americans own some kind of corporate stock, and they know *something* about the organization of industry. Some fifty million people in the U. S. work in non-agricultural employment, millions of them in corporate industry, and these people will expect fictional corporations to operate the way their employers operate. Marquand must have known this and hence did not try to delude anyone. Willis Wayde justifies his actions by arguing that in the end he must serve his stockholders.

Robert A. Kavesh, in *Businessmen in Fiction,* suggested that writers focus on the corporation itself and the group-dynamics operations of the executive. Kavesh foresaw that this would minimize the "personal destiny" hero. Without such a hero the novelist who would create memorable fiction about a conference room full of executives would have a




hard job surely enough, even if, as *The Organization Man* shows, the top executives are not merely pallid organization men.

Perhaps the best potential hero would be the industrialist in another field. Somehow "Engine Charlie" Wilson as Secretary of Defense offered a much more inviting prototype for a fictional hero than he did as president of General Motors. The conflict-of-interest problem suggests itself too as a fertile field for novelists to sow. The stock exchanges might be good settings for conflict, especially a conflict involving such persons as the odd-lot buyer or the stock specialist. For example, the specialist might be depicted as in a dilemma over whether to (1) protect the market (2) protect a large brokerage house (3) exercise his best judgment and thus protect himself, even at the risk of losing his seat on the exchange. The stock exchange governors plus the S.E.C. would contribute elements of conflict on their own. This background could be rather faithful to life, as many specialists who bought immediately after Eisenhower's heart attack would no doubt testify. Still another possibility would be to create a hero who served on one of the high-level regulatory bodies; the very nature of the quasi-governmental regulatory groups poses opportunities for conflict.

However, with any of these possibilities the novelist would have to know his material well. The business-experienced novelist like Hawley, having worked twenty-five years for Armstrong Cork, could spin *Executive Suite* or *Cash McCall* with sufficient realistic filaments in the web. A novelist who had not had intimate acquaintance with the stock market, for example, might make mistakes in his presentation which would vitiate the design by destroying the reader's trust.

Certainly it is true that one of a novelist's worst mistakes would be to let erroneous details, either of character or of setting, intrude. Ayn Rand, in *Atlas Shrugged,* did just this. Whatever other literary merits it may have, this weighty novel has too much about railroading that even an occasional traveler would reject. *Atlas* offers an elaborate sermon against socialism and bureaucracy; but it also offers a very poor way to run a railroad. ■

# The Financial Analyst in Industry

By
Harold W. Fox

ANALYSIS HAS AN HONORABLE and productive history. "Eureka!" exulted Archimedes, after diagnosing the amount of alloy in the crown of the king of Syracuse. Since then, heuristic efforts have engrossed and enthralled fact-finders of every generation.

This noble heritage endows the two disparate activities called financial analysis. One well-known function focuses on the stock market; the less familiar other on profit-related problems in individual companies. Here, then, is a description of the financial analyst in industry.

### What's In A Name?

This paper represents a composite of experience and observation. In industrial practice, the role — even the title — of the financial analyst is not standardized. Alternative expressions such as management audit, operations analysis, and commercial research are encountered. A colloquialism is "figure digger." Yet, financial analysis appears to be the most prevalent term. It identifies the staff function of assisting decision-makers by investigating and appraising business questions on their behalf.

To illustrate, negotiations with the union may occasion a study of productivity trends in the factory. The evaluation of proposed equipment expenditures is another assignment. Again, the plant manager may want to know whether the material specified by engineering or sales enhances the product's value commensurate with the cost. Meantime, the personnel department enlists the financial analyst for an appraisal of the executive compensation program. The director of marketing requires facts for his determination of area potentials. Where does the company face a freight (cost and delivery time) disadvantage relative to competition? How do the deployments of salesmen and local advertising compare with territorial sales?

It will be apparent to the reader that the cited inquiries could portend fundamental changes. The typical assignment is not completed by making a telephone call or by looking it up in the books. The financial analyst realizes that his report may serve as a basis for policy decisions. Hence he seeks to assemble all pertinent factors and make a logical presentation.

Thus the noun, analysis, is employed in the broad sense of encompassing the collection, classification, and interpretation of facts. On the other hand, the significance of the adjective, financial, is more spatial than functional. Typically, the organization chart locates the analysis section under the administration of the controller or treasurer, i.e., in the "financial" area.

In some large companies the financial analysis staff comprises specialists in production, marketing, foreign trade, mergers, etc. There also are levels such as plant, product division, and corporate analysts. Other firms either concentrate on segments with the largest profit opportunity or require greater versatility of their personnel. The point is that in industry, financial analysis refers to the study of any phase of business.

### Illustrative Project — Profit Planning and Control

The reader is invited to accompany the financial analyst

as he ministers to the needs of management. In contrast to the special assignments mentioned above, the simplified illustration to be portrayed now is the recurrent task of profit planning and control. Profit planning occurs at regular intervals: say quarterly, while control is a continuous process. Elements of the profit plan include a profit target, marketing plan, production program, and a budget. Control of the approved budget refers to following through its implementation: operating executives are notified of deviations in time for corrective action, and the actual results are presented at a management review.

Throughout this cycle, the financial analyst works with operating executives, developing needed data and acting as their consultant. In order to function effectively, the financial analyst must be intimately familiar with his company and industry. He distills this knowledge into compact summaries of key information as diverse as: turnover of labor, collection of receivables, and share of market. He distributes these summaries to the executives concerned, pointing out changes in trend or departures from plan. Thus the financial analyst serves them as the central source and personal interpreter of vital operating statistics.

**Profit Planning**

Under traditional bookkeeping routine, profit is the residue after deduction of all appropriate costs from sales for the period. The profit planning concept, on the other hand, envisages the molding of sales and costs toward the attainment of a previously established profit target. Accordingly, the financial analyst enters the scene as assistant of the corporate officer setting a tentative profit objective. One analytical technique is the projection of return on total funds and the allocation of profit quotas to divisions or other analytical technique is the projection of return on total assets segments. (Here, the term, capital employed, is synonymous with total assets. There also are some variant bases in use.)

It would not be expected that every corporate segment will realize the same rate. A particular division's range of potential returns is narrowed by short-term factors and long-term goals. Inefficient machinery and competitive pricing may be limiting factors for the prospective planning period. For the longer pull, management may have elected either to attack these limiting factors through plant modernization and product differentiation or to tolerate them for whatever profit contribution it can extract without special investment and efforts. The projection of return rates is not a mechanical computation but a deliberate step guided by top level judgment.

Similar considerations apply to the allocation of assets to corporate segments. Some resources are virtually immobile in the short term (special-purpose machinery); others may offer a high degree of flexibility (raw material). The opening phase of a profit plan provides for a formal reassessment of past determinations. Perhaps an unexpected rise in industry capacity upsets the long range expansion program. Again, engineers may have devised an economical method of adopting special-purpose machinery to more productive uses.

The establishment of a profit objective thus proposes both the resources and the rate of return on them. Here, as elsewhere, the financial analyst functions in a staff capacity. Any decision is vested in a line executive (in this case, the corporate officer setting the target).

The financial analyst's status as a multi-purpose staff assistant leaves him unencumbered to serve conflicting interests. For example, a division manager may wish to take issue with the profit quota assigned to him. Instead of defending the decision, the financial analyst is free to help him marshal and present the evidence supporting a request for revision.

Next, the financial analyst reports in the marketing area (e.g., to product managers) to help with the marketing plans. A marketing plan is a formal statement of sales prospects based on current history and intended tactics. Individual marketing plans for each product or product family are integrated into a divisional or company-wide master blueprint.

The financial analyst's special contribution here is to estimate the financial impact of alternative decisions. For example, would the profit yield be greater from a special coupon promotion with a given volume boost or from a sales contest with a different estimated volume increase? Given various possible price reductions, what are the extra sales required to generate the same contribution as expected without a deal?

Sales forecasting is another important assignment. Using his file of product data and leading economic indicators, the financial analyst projects impending volume by time series analysis, correlation, or econometric methods. The statistical result is a useful criterion to two areas—marketing and financial. It serves marketing as a reference (possibly with confidence limits) to contrast with the opinion of the sales force, the interpretation of consumer surveys, and the feel of marketing executives. For the financial department it is a check on the reasonableness of the forecast which the marketing department submits. A substantial difference between the two predictions signals the need for a review of the underlying assumptions before a further development of the profit plan.

Turning from sales to the profit quota, the product manager may face a deficiency according to the estimates prepared by the financial analyst. His experience with the return-on-capital concept may enable the analyst to spot opportunities for improving the return. The product manager knows the formula:

$$\frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Capital Employed}} = \frac{\text{Profit}}{\text{Capital Employed}}$$

*The author is a practising financial analyst in industry and head of management services at Rowe Manufacturing Company, Inc., subsidiary of Automatic Canteen Co. of America. He also teaches business management at the Graduate School of Fairleigh Dickinson University at Madison, New Jersey. Mr. Fox was formerly associated with the General Foods Corporation.*

However, with primary attention to sales considerations, the specific application may seem burdensome to the product manager.

Sometimes the financial analyst can help the product However, to his primary attention to sales considerations, the specific application may seem burdensome to the product manager raise the return on employed capital without changing the sales forecast by suggesting a quicker turnover of funds. Examples are concentration on outlets which pay most quickly and reduction of inventories in sales depots. If the contribution estimate still fails to meet the quota, the analyst helps the product manager locate requested expenditures which may be trimmed without a corresponding volume impairment.

After the resolution of problems such as suggested above, the financial analyst assists the executive with the preparation of the marketing plan. This detailed commentary will serve the top echelon in their review of the planned actions and expected outcome.

During the time leading up to the submission of the marketing plan, the financial analyst has maintained liaison with the factory superintendents to convey approximate needs. Arrangements for manufacturing labor and facilities must be tentatively confirmed before the marketing plan can be published.

The financial analyst helps implement these arrangements. He furnishes production control with an approved schedule of colors, sizes, packing, and other specifications for every product, each by freight classification area. Time is the basis of another important breakdown. A time series analysis may point to the expectation that 80 per cent of the volume forecast must be produced in the first month. More likely, the imbalance may be induced by a special promotion, and the manufacturing area could not guide itself by its records of prior years. These examples are illustrative.

The routing, scheduling, and other phases of the manufacturing program are handled by its own personnel. Just as the financial analyst does not encroach upon the decision-making prerogative of line executives, he is careful not to usurp specialized technical functions such as industrial engineering or marketing research. This can be a company-wide challenge to administrative finesse and personal restraint.

The financial analyst keeps in close touch with the budgeting section as it translates the marketing and manufacturing programs into estimated product income statements and departmental budgets. The actual preparation of the operating and financial plans are so interrelated as to occur almost simultaneously. In both the planning and performing stages, operating personnel needs reasonable latitude so that longer range considerations and overall corporate interests can prevail over the immediate numerical yardsticks. With mutual cooperation, each area can inject last-minute modifications to capitalize on the latest market and factory developments or to meet the profit objectives.

The complete profit planning package consisting of the operating recommendations and their corresponding accounting estimates moves up the successive channels of the administrative hierarchy. The financial analyst assists the operating executives with revisions which may be suggested as a result of the intermediate screening. Along the way, the financial analyst participates in the appraisal and consolidation of the different product recommendations into division-wide blueprints. Similarly, at headquarters, a financial analyst readies the master blueprint for the president.

**Profit Control**

Approval of a profit plan marks the beginning of profit control. The financial analyst now pursues operating data for timely briefings of executives in their respective jurisdictions. For example, the product manager runs the marketing plan. Accordingly, the analyst organizes a flow of data tailored to the activities in the planning period. Some of the information will be routine; orders and shipments, for example. Other results such as coupon redemptions or sales contest scores require the tapping of special sources. The financial analyst issues news flashes which pinpoint the elements requiring special attention.

For maximum usefulness the marketing staff coordinates its actions with the analyst's bulletins. An assistant product manager's itinerary may be flexible so that he can fly to areas with reported sales deficits. The marketing research department may time a motivation study to make results available in the early part of the planning period. The financial analyst has disclosed how the line is selling; the motivation study aims to tell why. If a change in tactics appears warranted, the financial analyst counsels the product manager about the impact on profits.

Meantime, the analyst notes discretionary expenditures at their inception. This record serves to admonish executives responsible for them of inadvertent commitments in excess of budget. Preventive maintenance in manufacturing, advertising in marketing, and clerical overtime in general and administration — these are representative of discretionary expenses for control purposes.

Frequently, contracts or conditions impose such severe limitations on management that the term, discretionary, seems far-fetched. This is just the type of complexity in modern business which obscures the financial impact of a decision (e.g., should the plant rent labor-saving equipment?), and suggests an appraisal of proposals by the financial analyst before their programming.

At the plant, the financial analyst maintains similar services and prepares a weekly variance report. This summary shows the deviations of manufacturing costs from the budgeted rates.

For interim reviews the financial analyst recapitulates the experience to date and projects the outcome of the profit plan period. Statistical methods and managerial accounting techniques enhance the precision of his computation.

A workable method may be to use the relationship between orders and shipments. One approach is to consider the weekly order rate to date a truncated distribution and extrapolate it by fitting the historical curve. The projection of orders becomes an indicator which leads shipments by the time interval between the two. The analyst does not apply the formula blindly. Adjustments are necessary if, for instance, some orders do not call for prompt shipment or are not scheduled for prompt production. The mechanical prognosis is checked against reports from the field and other estimates. For the short time to be projected, an unsophisticated method such as the one indicated may serve with impressive accuracy.

The volume prediction is the basis for the interim profit estimate. The profit computation is available at a moment's notice. It rests on the premise that for the short term and within certain ranges, costs are either relatively responsive to volume changes (variable) or rigid (fixed). This designation has been predetermined. (A typical assignment for the financial analyst.) At this point, all the analyst needs to do is to deduct from the projected sales amount, variable expenses at the budgeted rate, the budgeted amount of fixed expenses, and the negative or positive variances derived from the plant and other reports. Necessary adjustments are to project variances to the end of the period and to add any unbudgeted expense allocations. (An example of the latter is corporationwide cost-of-living salary bonus which was confidential until announced.) The net amount is the estimated (pre-tax) profit. In some companies, the system just described has scored bull's eyes or near misses under varying circumstances period after period.

The financial analyst notes and explains any major deviations from plan on a product basis. Consolidated, the interim estimate is rushed along the same path that the original profit plan traveled just a while ago. The latest estimate actuates a reconsideration of the current marketing plan and manufacturing program.

If management is not satisfied with the current outlook it institutes changes in plans. The financial analyst functions in an advisory capacity as described before. His dual job is to help both the administrators who prescribe new actions and the executives who implement them.

A less urgent review occurs after the next quarter has begun. The accounting department has disseminated the actual results of the past profit plan, and all concerned have had the opportunity to study and discuss them. At a formal meeting the financial analyst helps to explain the what, how, and why of recent experience. Amplifying the financial statements, this presentation highlights impending problems and opportunities. It paves the way for management's adaptation of immediate and distant objectives. On this forward looking note ends the profit planning cycle. Throughout, the financial analyst has filled the supporting role of profit prompting to the leading players.

### Conformity, Contrast . . . Conclusion

One intent up to this point has been to make self-evident the satisfactions which industrial financial analysis offers to the inquiring mind. Perhaps a brief mention of a few of the occupational hazards will tend to balance this description.

An essential qualification is that the financial analyst be personally likable and inspire confidence. Nevertheless, his function is liable to prove unpopular on occasion. Both planning and control are disciplines which curb predilections toward intuitive experimentation. The dilemma is that the individualistic strategist condemns the analyst's philosophy of "scientific" management as shackling his improvising scope. On the other hand, the analyst's objectivity disturbs the conformist. Profitability is the leitmotif for the financial analyst, not the concensus of opinion.

Another potential danger seems inherent in the necessity of crossing departmental lines. There is a possibility that the financial analyst will be caught among quarreling factions and that choices inimical to his effectiveness will be thrust upon him. A related risk is that the financial analyst will arouse suspicion because he works at the periphery of demarcated responsibility centers. At times he may conduct special studies which encompass some incidental overlapping into functions ordinarily performed elsewhere.

An additional source of friction may arise from the interactions of creative with administrative and operating mentalities. This problem is not unique with financial analysis; its occurrence in research laboratories has long been recognized. Here, the philosophical contrast focuses in the auditing orientation of his administrator (and accounting colleagues) which the financial analyst faces.

The temptation to pursue this subject matter will be resisted. The inference is clear, however, that the industrial financial analyst may be isolated intellectually. Under the circumstances, it is surprising that thus far there is no organization or subgroup which caters exclusively to his needs. Analysts do participate actively in technical societies whose scope coincides in some part with financial analysis. But there is no association for industry's analysts as exists for say, systems men or internal auditors. It follows that relatively little is known about the financial analyst's function and status. There is no technical forum or editorial platform for the diffusion of techniques. Training for and progress from the job is not formalized, and no occupational quality standards have been established.

It is hoped that this article will have provided a glimpse into the manifold activities of the financial analyst in industry. Ordinarily, he does not evaluate securities. To summarize, industry's financial analyst is a staff man, usually based in the controller's department, who acts as fiscal consultant to operating management. The financial analyst engages in both special and recurrent assignments designed to uncover and help secure profit opportunities. The work is often fascinating — and, occasionally frustrating. ■

# An Organizational Problem-u

*Dale S. Beach, Assistant Professor, Rensselaer Polytechnic Institute, hails from Latham, New York. Degrees: B.S. in Administrative Engineering and M.S. in Industrial and Labor Relations — Cornell University. Consultant to New York Telephone Company, Western Electric Company, Air Products, Trico Products and Westinghouse.*

AS EVIDENCED by the content of the abundant literature in the management field and the expansion and prospering of supervisory training and executive development programs in industry, it is apparent that increasing attention in recent years has been devoted to the problems of the human relations of administration, of leadership, supervision, and personnel management. However, inadequate attention is being given to the problems of subordination.

Supervision and subordination are closely related. By improving the caliber of management, by giving the practicing manager greater insights and understanding of the supervisory process, we expect that some of the problems of superior-subordinate will be alleviated. However, the emphasis has been that of management looking downward to determine how to motivate people to increase their effectiveness, and how to raise morale in order to reduce turnover and grievances and minimize disciplinary problems. There is need to systematically examine work relationships from the perspective of the subordinate. Practically everyone, except the independent proprietor, has a boss. Certainly the myriad supervisors and executives in the large corporation all have their superiors. Even the president has the board of directors that he must satisfy.

Since a manager is unable to do everything himself he has the power to assign certain duties and responsibilities to his subordinates. The prevailing structure in nearly all organizations in our society which are devoted to work and the production of goods and services (purely social organizations, for example, would be excluded from this analysis) is primarily authoritarian. There is a formal chain of command; everyone has his own boss and he is expected to comply with the orders transmitted to him from above. Force, in one form or another, frequently dwells in the background where it may be called upon to insure compliance with the wishes and directives of those in command. The superior dispenses rewards and punishments to gain the necessary adherence to his orders. Under such a system the subordinate, whether he be a rank and file worker or a general manager, must constantly focus his attention upward. He must comply. He must please.

### Organizational Nature of the Superior-Subordinate Relationship

To go back to ancient times and earlier in the history of our world, domination of one individual over another occurred because one had greater strength, cunning, and agility so that he could subjugate another. Of course, when whole tribes were vanquished in battle by other tribes, the former often became slaves to their conquerors.

When a group of people endeavored to work together to accomplish a common goal it was necessary to make the master-subordinate or leader-follower arrangements more formal and lasting. Instead of the chief or leader maintaining his position through brute force or through persuasion, groups have evolved through the centuries to the point where it is the position or office and not the person, himself, that determines who is boss and who is the follower. Formal organization structures have been established such that a subordinate respects the office of president, for example, and obeys the orders of whomever happens to occupy that post. This institutionalized arrangement does not deny, of course, that some leaders by their nature and methods are able to win greater loyalty and effort from their followers than others.

Modern leadership theory advocates positive motivation — the holding out of the prospect of rewards to the subordinates so that they will want to conform to the wishes of the leader. The leader seeks to provide satisfaction for the wants and needs of his people while at the same time they are working effectively for the goals of the enterprise. Nevertheless, if the positive approach does not succeed rule through compulsion and fear is always lurking in the background. Threat of unpleasant work assignments, loss of status, denial of a wage increase, and loss of job are possible courses of action which the superior can take to insure compliance with his orders.

# Subordinate-Superior Relations

by Dale S. Beach

### The Superior-Subordinate Relationship

The superior, whether he be a foreman, superintendent, or general manager, delegates duties and authority to his subordinates and in turn holds them accountable for the proper carrying out of the assigned work. The performance of his work unit is determined to a great extent by the caliber of his employees and by the work which they do. Their success is his success and their failure is likewise his.

He may wish he had better men. He may re-train and try to mold their attitudes and behavior. He may cajole, encourage, or threaten. For a supervisor knows that his superiors are continually evaluating his effectiveness in guiding his work unit toward the accomplishment of its goals. He feels that he must present as favorable a picture as possible to his boss in order to maintain his own position.

The relationship between a leader and an employee is an adaptive one. If the relationship is to be enduring and successful each must adjust and modify his behavior to fit the attitudes, demands and reactions of the other. Because of individual differences among subordinates they may react in a variety of ways to a particular act or pronouncement. One's life history and system of values will influence the way in which he interprets and responds to the behavior of his boss.

How often have we noticed that some individuals who are rising up the executive ladder, while they have a personality of their own and a certain set of beliefs and ideals, seem to take on or adopt as their own many of the values and attitudes of the executive to whom they report presently. And when these same men are in time transferred to other units such that they are now subordinate to different executives possessing somewhat different viewpoints and personalities, we find that they gradually express these new sentiments as their own. These men, if questioned, would not admit to changing their colors to suit their environment. But whether the change is achieved consciously or unconsciously the position in which a subordinate finds himself practically demands a measure of this behavior.

### When A New Superior Takes Over

The problems of adjustment and change are highlighted when a new supervisor or manager takes over. The incumbent employees have already made the necessary adjustments in their attitudes, expectations, and behavior in order to get along successfully with the previous boss. They must go through the same process again for the new man. The problems are especially great if the new superior has come from another company or organization. His methods of operation, values, and expectations will in all likelihood be different.

He expects personal loyalty and acquiescence to his orders. If the supervisor is authoritarian he expects "yes" men; if a participative-type leader he expects intelligent contributions and suggestions. So, very often we see that subordinates leave a company, are transferred or discharged because of disagreements and clashes of personality with the new manager. This phenomenon is particularly prevalent at the middle and upper levels of management where people are particularly likely to be "all wrapped up" in their jobs and take them very seriously. There may be fundamental clashes over policy and operating procedures especially if past practice has been solidified and stable over the years.

### Some Illustrations

Let us highlight our discussion of the problems of subordination by looking at some specific examples.

In the installation and maintenance department of one public utility one foreman made such a profound impression upon two of the ten men who worked for him over a period of several years that they actually changed their religious beliefs and denominational affiliation to conform to his. In this same company in another work unit, a teetotaling foreman persuaded all of his subordinates to give up drinking and smoking. They did this and apparently the change was permanent. However, later when this foreman was transferred to another unit he was replaced by one who definitely did not share his views. The employees noted this change in leadership climate and many reverted to their former ways.

Take the case of a group of professional employees in a particular research organization. The director of this unit had been a popular, highly respected, permissive type of leader who had managed to develop a high level of esprit de corps and of motivation in the group. His work unit was effectively accomplishing its goals. This man was especially gifted in the art of developing enthusiasm among his men. Because of his accomplishments this individual was promoted to a position of greater responsibility in another department of the company. His successor has proved to

be a martinet. He will not allow any participation by his subordinates in decision making. He refuses to accept suggestions. He disciplines subordinates in front of the group. Work loads and dead-lines are unreasonable. Downward communications are often conflicting and seldom put in writing. Upward communication is discouraged. The group as a whole is completely demoralized and frustrated. Yet this autocrat operates within the letter of the organizational personnel policies while constantly violating the spirit. To relieve their frustration and to protect themselves the men are all searching for a means of escape. All are actively seeking other positions either within the company or with other firms. They feel that appeal to higher authority within the company (over their immediate superior's head) would lead to further repressive measures from their boss.

If there are disagreements over practices, procedures, methods, and treatment the subordinate can discuss these with his boss to seek an adjustment. He may even appeal over the head of his superior to the next higher level of management. But the subordinate knows that regardless of the answer obtained, he must still live with his boss in their day-to-day relationships.

### Need for the Establishment of a Judicial System

To solve this dilemma work organizations, which include business and industrial establishments, must take steps to insure that the judicial function be adequately provided for. At the present time it is almost universally a standard practice for the supervisors, managers and executives to perform both the executive and judicial functions. Top management executives may perform the legislative function as well. There is no separation of powers as in civil government. The manager is not only the initiator of action but he is also the judge, jury, and prosecutor. This anomaly is particularly striking in employee discipline and grievance cases.

In democratically oriented governments the judicial, executive, and legislative divisions are elected by the governed (the people). The judiciary is not subservient to nor a part of the executive branch. Of course work organizations are not democratic governments; they are to a great extent authoritarian. Therefore, it would be impractical to attempt to superimpose the governmental system upon work establishments. But this fact does not obviate the conclusion that they should make better provision for the judicial function than they now do. Any methods selected would have to be designed to fit the particular goals and structure of the organization.

### Some Possible Solutions

There are a number of organizational arrangements which might be adopted to meet this need for a judicial system. Because of differences in objectives, structure, and the environment in which they operate it is unlikely that any one solution will be suitable to all organizations. Some experimentation is desirable.

Unionization of employees almost always brings about the installation of a formal grievance procedure having arbitration by an independent third party (the judicial function) as a final step of appeal. This approach to the problem works well especially where the parties (both union and employer) have honestly endeavored to make it succeed and where they have acquired experience with the procedure. Essentially, under this system, the union represents the employee, presents the grievance to management, and if a satisfactory solution is not reached, the union appeals the case to successively higher levels of management. An independent arbitrator serving in the role of a judge may receive the grievance on appeal and render a decision with which both parties generally agreed to abide.

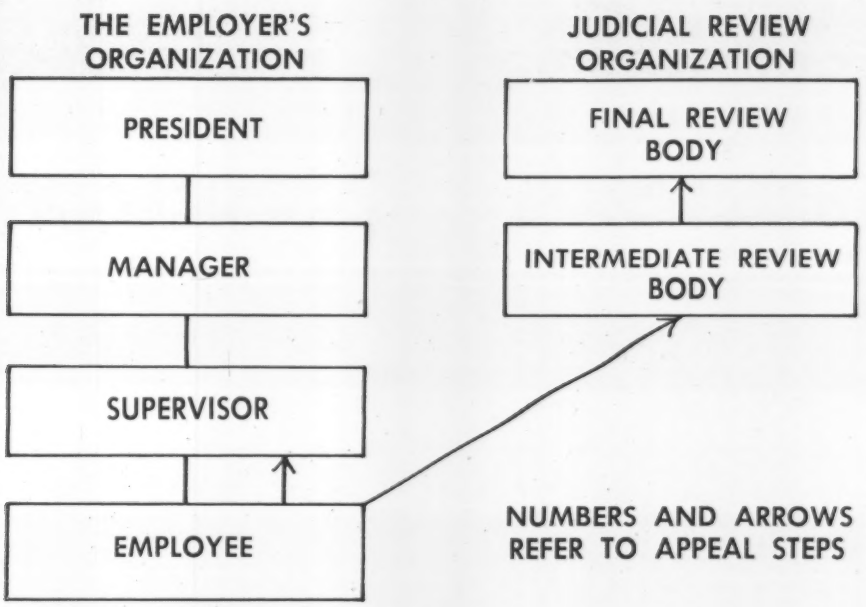
Management, itself, then must take the initiative in establishing a formalized appeal and judicial procedure to provide a means of airing disagreements and complaints, evaluating them, testing them against established personnel policies and practices, and implementing the decisions. Such a procedure or organizational arrangement would be suitable for settling many problems in addition to those occasioned by the superior-subordinate relationship. However, it would seem that these would predominate. Indeed, the typical procedure in industry provides that an employee must first discuss his problems related to the work environment with his boss before going elsewhere.

A grievance procedure for non-union employees (supervisors and managers are employees too and could also use the procedure) may use an impartial outside arbitrator or panel of arbitrators as the final step. Usually where companies have set up a grievance procedure for non-union employees no provision is made for arbitration. The chief executive officer constitutes the court of final appeal. Employers often feel that it would be unwise to have their authority over people and operations within the organization diluted by some outside agency. From the subordinate's viewpoint it would certainly be advantageous to gain the benefit of an outside impartial judicial agency after exhausting the steps within the organization.

Another approach that could be used would be to set up a joint committee composed of management and employee representatives, perhaps with rotating membership, that would serve as a final appeal step within the establishment. This committee could be endowed with the authority to hear testimony, conduct investigations, and render binding decisions which would presumably be enforced by operating or line management. If this committee or board of review were to be established for the purpose of adjusting and deciding cases involving supervisors and managers themselves it could simply be composed of a group of executives, perhaps from different levels in the structure.

Labor unions, as organizations, also have an authority structure, problems of internal union discipline, and grievances by members in relation to actions of their own leaders. Recognizing the need for providing members with an opportunity for judicial review the Labor-Management Reporting and Disclosure Act of 1959 contains a "Bill of Rights" for individual union members.

Two and one-half years before passage of this law the United Automobile Workers Union, as a specific example, established a public review board composed of independent and eminent citizens to which members could appeal their




*A schematic chart showing a procedure for judicial review of problems and disputes arising during the course of work relationships. The structure must be adapted to meet needs of particular organizations. There should, however, always be some measure of independence between employer and judicial review organizations.*

grievances against the union. The constitution of the union was amended at that time to set up this appeal board and to give it the authority and duty to make final and binding decisions in all cases placed before it by aggrieved members or subordinate bodies of the U.A.W.*

Many organizations (probably most of them) have not become sufficiently aware of the problem to feel that any new organizational arrangement is necessary. Many executives believe that by creating management training programs which give predominant emphasis to the human relations of administration they can so improve the understanding and leadership performance of their subordinate managers, department heads, and supervisors that most of these problems of superior-subordinate will be solved or essentially alleviated. Indeed, training courses can certainly improve mutual understanding and the caliber of leadership. But they cannot be expected to solve what is, to a large extent, an organizational problem created by the essentially authoritarian nature of most work groups.

**Summary**

All organizations devoted to the accomplishment of work whether they be private business, educational, military, or governmental must of necessity have a well-defined authority structure in order to survive and in order to accomplish their goals. They must contain the leader and the led and in large establishments they contain several levels of leaders. The leader or superior must be in a position to allocate rewards and penalties to his subordinates in order to insure a unified, cooperative effort directed toward the accomplishment of a goal. A certain amount of power and force seems to be essential for the system to function effectively. This coercion, of course, must be controlled and carefully channeled.

The power of the superior over the lives of his subordinates causes them to continually seek his approval and support. Their survival, security, and progress are determined primarily by the strength and nature of this relationship. Excessive upward orientation toward the boss is a prevalent phenomenon. The subordinate becomes dependent rather than independent. He must conform to the expectations of his boss. In a great many situations the relationships work out entirely satisfactorily, but if perchance things go sour, if there is a divergence of attitudes, values, and methods, if they do not see eye-to-eye, the subordinate is often placed in a dilemma. His alternatives usually are few in number and many of them involve great personal accommodation (often sacrifice) and some involve considerable risk.

It is specifically proposed that top management must become fully cognizant of the problem and all its ramifications and that it make the necessary organizational and procedural modifications to correct this problem. Provision for an effective and workable judicial system must be made. The potential benefits in terms of reduced anxiety and frustration on the part of employees are great. They can become more highly motivated to work toward the goals of the organization. The way can then be opened for a more complete utilization of the creative and productive energies of employees. ■

*Booklet published by the United Automobile Workers Union entitled *A More Perfect Union . . . The U.A.W. Public Review Board — Why, What, How.*

# Individualism vs. the Committee Process

BY EDWIN A. GIERMAK

OF THE VARIOUS tools of management, irrespective of one's chosen field of endeavor in management, few, if any, are more controversial than the "committee process".

The impact of that opening statement can best be judged by the review of some chosen "committee thoughts" which had been stated as an abbreviated preface and which sets our theme. Additional committee views shall follow and be stated in greater length and in the identical tone as the preface. Each of those statements has been issued by persons not proclaiming the use of a "Monday morning quarterback" technique, nor by individuals sitting along the sidelines of American management in a state of inactivity, but instead are the respected views of highly successful, upper echelon men in our modern and progressive management society—indeed, men of high respect in giant organizations of our great American industrial might, or men of equally high respect in modern educational spheres. Those preface statements possessive of a bit of humor were chosen not solely because of their humorous traits, but more so in the belief that the "laugh often wins where the light fails, or simply stated, "when reasoning fails to convince, the laugh often succeeds."

Prior to delving into greater detail, some measure of mutual understanding of the basic terms should be presented and agreed upon. Some might possibly find even these very basic terms as controversial, but if so, only to the slightest degree, and thus without doubt acceptable.

1. Simply, a committee is a group of two or more persons qualified to consider or decide some problem.*

2. The true function of a committee is to deliberate upon previously developed facts, to exchange viewpoints, and through collective judgments recommend or endorse some conclusions.

3. Informal meetings of executives are essentially no different from formal meetings of the same group sitting as a committee, except that there may be less regularity and orderliness in the former. From the standpoint of organization the regular committee provides general management with additional advisory, coordinative and control agencies.

Like any other management "tool" the problem of committee use in management must be handled carefully and tactfully with a sound appreciation that it apparently has become a part of the business structure of today. Thus the approach which subjects the pros and cons to close study, measuring and evaluating authoritative comments and situations shall be the premise throughout this presentation.

American industrial growth, which is indeed phenomenal according to any measure, has developed because of its mass markets, its competitive structures, and its willingness to accept and adjust to changes, as well as other important factors, possibly too numerous to mention. The phrase "willingness to accept and adjust to changes" entwines itself well in the chronological steps made in management wherein the evolution from the "one man — one product — one customer" phase transcended to the "multi ownership — multi product — multi market" phase. Thus from the "boss-man" rule possessive of all authority and responsibility to the extreme of modern management — absolute rule by formal committee — the latter being best exemplified by the Du Pont case study which is to be considered in greater detail in this presentation. Between these two extremes we find modern management having added to its chest of working tools the "committee process" tool. Indeed Mr. Crawford H. Greenewalt, President of Du Pont, summed up the change at the McKinsey Lectures at Columbia University in 1958 well when he stated:

"Fifty years ago, our institutions were well within the mental compass of a single proprietor, manager or owner. This is why it is supposed our elder institutions carry the names of their founders. The House of Morgan was indeed J. P. Morgan; Sears, Roebuck was undoubtedly at one time Mr. Sears and Mr. Roebuck; and surely the Ford Motor Company was Mr. Henry Ford himself. Today, we recognize corporate anonymity in our titles, General Electric and General Motors, for example, and U. S. Steel and Standard Oil. Perhaps these very impersonal designations state the fact that no single individual, no matter how gifted, can embrace mentally the increasing complexity of our technology and the innumerable facets of modern corporate effort. This phenomenon is by no means limited to the sphere of business. We have large unions, large government, large educational institutions, in all of which the complexity of today's problems has outgrown the capacity of the single gifted personality."

In this transition we find modern management making it very noticeable and fashionable at the moment to decry the "organization man" and, as usual, overdoing it. It is the "organization man" classification that embraces the "com-

* Paul E. Holden, Lounsbury, S. Fish, and Hubert L. Smith, *Top Management Organization and Control*—(Stanford U. Press, 1951).

mittee type of management" which has become the "tool" that arises as a controversial point in today's management fields.

Actually, a discussion between an executive and his superior is a committee meeting. At such a meeting problems are discussed and carried to the higher management plateau wherein authority and command result in the formulation of some policy. Here it has actually used as a "tool" — the committee technique. However, this is not the structure of committee process that this study analyzes, but instead views the phase or perspective of committee theory, practice, or foundation which continues to find management delving head-long, and too often without serious thought and review of the matter, into the greater depths of conformity — management by conformists — yesmen, metooers, and the rapid decline of individualism. These tagged cliches are apparently the net result of the natural inclination of too many to go too far in the acceptance of certain modern day management practices.

This then leads to what "appears to be" the minority position of defending *individualism* and its inherent advantages versus group or *committee* management. The "appears to be" phrase is stated in quotations for further in this presentation *prima facie* evidence shall be presented that boldly uncovers some weaknesses in many stated positions of those who endeavor to favor and even defend committee effort. However, as current trends place those who object to the acceptance of the fad of "team play" management in a minority status, with the majority enjoying current support, it can be assumed that the title "Individualism vs. The Committee Process" does draw the battlelines. By "individualism" it is not connoted as "bossman" rule, but in turn the adherence to the principles of individual judgment, decision, and the position or stature of the individual in management. On the other hand group or committee process is supported by phrases such as "conformity with the group", "compromising management", "team approach", all apparently acceptable by the many supporters of the committee process in management today.

With the preface setting the theme; the introductory remarks the scene; the debatable comments the battle lines, the addition of statements from men of American industry shall find the results of this presentation coming into focus.

Mr. Lawrence Stessin, writing in *Forbes Magazine*, stated:

"By definition management must possess two important qualities; leadership and creativity. Progress is made, not by the "me too" boys, not by the conformists, but by the mavericks who are very willing and unafraid to buck the traditional or even the very contemporary way of doing things. But the current odds in industry are stacked against the man who does not hew to the line. The emphasis is on the "team", on the "group decision", and on "conformity trends", all of which isolate the creative man."

The position of William H. Whyte, Jr. is stated in "The Organization Man" as:

"The most misguided attempt at false collectivization is the current attempt to see the group as a creative vehicle. Can it be? People very rarely think in groups, they talk together, they exchange information, they adjudicate, they make compromises. But they do not think; they do not create."

Those who adhere to the line of thought unveiled in these preceding statements which support the *individual approach* do find a bulwark of support in such views of these respected men of industry. However, to blindly accept or acknowledge such supporting evidence without allowing for the presentation of equally valid and authoritative contrary views, a rebuttal if you will, would not be an acceptance of the phrase "open discussion of a topic opens minds".

It has been frequently contended that the opening statements of any discussion allow for and leave the best impression and yet, it is fully expected that the following authoritative comments apparently supporting "committee action" by Messrs. Prochnow and Busch shall be as full, complete and challenging as were the statements of Messrs. Stessin and Whyte.

The opening rebuttal finds Mr. Herbert V. Prochnow, Vice-President, 1st National Bank of Chicago, proclaiming:

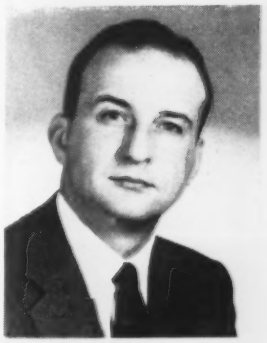
"As modern corporate life has increased in complexity, a steady growing range of managerial talents has been required for intelligent decision-making and for sound farsighted planning for the future. Because of these increasing requirements, certain changes in organization structure evolved in order to aid management in discharging its decision-making responsibilities. The committee-type conference, the theme of your presentation, is a creation to meet this growing need."

Mr. Henry M. Busch in his "Conference Methods" writes:

"Modern industry in its search for new and better ways of dealing with human relations, has discovered that invaluable contributions to industrial efficiency and morale can be made by *judicious* use of conference methods."

Previously it was stated that weaknesses had been noted in the position of those who advocate committee action. This is an opportune moment to search out one such important condition in order to furnish support to expressed opinions that shall be forthcoming in the concluding comments of this study.

It is most important, even vital, to state that throughout the entire study it was impossible to uncover any individual, group or groups, other than those of Du Pont reporting of their "Rule by Committee" technique, who held to the opinion that the strict formal committee type of management advanced under the Du Pont Plan of management control



*Edwin A. Giermak, General Manager of Chicago's Marketing Association of America, is a native of Illinois. His articles dealing with the dairy industry have appeared in leading journals. He received his B.Sc. and Masters Degrees from De Paul University, Chicago.*

was their idea, choice, explanation or recommendation of management by the committee process. This is a very interesting and important point and thus the Du Pont "Rule by Committee" should be reviewed, even though through necessity very briefly.

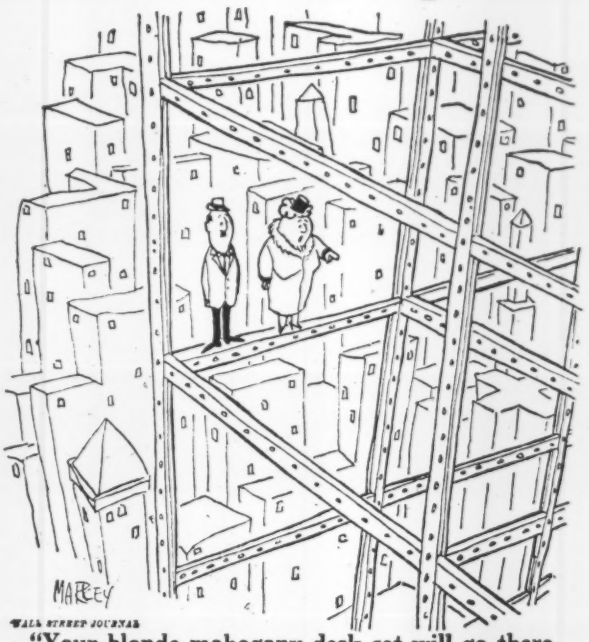
The Du Pont "Rule by Committee" is without reserve the extreme or ultimate phase of committee or group management. As it is the choice of one of the American "giants" of industry, and a choice which has been operative for some 37 years, it cannot be considered as a "fly-by-night" approach. Considering its maintained and accepted practice, it has not according to evidence on hand been considered as a prime factor in the position of those supporting committee of management. Possibly because the Du Pont committee plan has drawn the comment from John Chamberlain in the *Wall Street Journal* as being "The Unthinkable Art of Management" it thus finds lack of support.

The Du Pont classic case of management by *committee process* has awarded modern management the case of the extreme in "rule by committee", which suggests, roughly but firmly, the parliamentary form of governmental rule. Naturally, Du Pont, like any other corporation, is governed in the final instance by a board of directors, which happens in this case to be heavily weighted by members of the Du Pont family. But in point of practice the company is run by a president — and nine vice-presidents, *each of whom has a single vote which could be the decisive one in the balloting that settles things in the executive sessions.* This is the Executive Committee. These men devote full time to the company's affairs, relieved of day-by-day functional responsibilities. The committee is responsible for the actual management and direction of the company's affairs, except those reserved for other company committees. It has been said that the Executive Committee operates very much like a General Headquarters behind the front lines. It is concerned with major strategy, while the heads of departments are the tacticians who put the plans into execution. All decisions of the committee are made by a *majority vote,* with the limitation that it takes a minimum affirmative vote of four to pass any resolution. Five members of the committee constitute a quorum. "Advice" is offered by the committee members either singly or as a group, can be rejected with impunity by men who think they have a better way. However, as one committee member put it "we sometimes resort to tactful persuasion."

Below the executive committee structure is found the General Line Management. The general managers look to the Executive Committee, however, for guidance on broad company policy, for a certain degree of coordination among themselves, and finally for decisions upon their plans for construction, expenditures and development by the Executive Committee and then by the Finance Committee where necessary. In all committees the decisions are based on the principles which have been explained.

Although hailed by Du Pont as "being satisfactory" and as it has been in being since 1921 and thus mellowed with years of successful organizational growth, it was admitted that the system works slowly, having on occasions taken 10 years to persuade a company change. Also having committee members who have come up through management sometimes complain that relegation to "thinking" and "advisory status" makes them feel "inhibited" and "frustrated." Also they report "compromise isn't always easy but expediency must be paid for."

Continuing the search for evidence, pro or con, as applicable to the committee process one can judge the quality of opinions registered when the subject was introduced to many outstanding industrial leaders in these United States. A consensus of many such opinions register the belief that the danger of the "organizational approach" in modern business has been exaggerated. Many cannot picture top management people conducting their meetings as a sort of a democratic cub-scout meeting, in which every man has an equal vote or voice in the proceedings, and decisions are arrived at only by group vote. Certainly this comment warrants strict attention as it is frequently stated. If committee management has been exaggerated then the logical question is WHY? Simply WHY have so many devoted so much




**"Your blonde mahogany desk set will go there, over here goes the . . . "**

time and effort to stress the importance of group effort, committee work, team situations, or call it what you will. As the question was asked with a one-word approach the answer is frequently stated or registered in one word. Is the answer SPECIALIZATION? Many believe it most certainly is!

Due to the complexities of modern business, one of which is size, the trend has developed into the breaking down of jobs into units that require not executives but specialists; not professional executive talents but simply sound technical training. In lieu of the well rounded, well versed, well "spread" executive we find the trend to minimize the sphere of executive domain to the point wherein individuals are performing "a function" or a "very limited number of functions". Many organizations maintain their *executives* at that one position, performing that one function, trained to

do but one aspect of the organization's operation, all with the net result that to gain any greater insight as to what is going on within the organization some find solace in group or committee meetings with others of equally limited corporate knowledge. These proponents of committee action assume that the gathering of "their executives", each having been indoctrinated in his limited field, can as such add sufficient material to a gathering of equally alike to make a whole unit, which as a unit can make the decisions, maintain the responsibility, and perform the tasks of the organization.

However, across the battleline advocates of "individualism" contend such an approach aids individuals to remain in their comfortable ruts and avoid the initiative, imagination, and the creativity of which they may be capable and which modern management must advance to maintain its position in this very competitive world of industrial growth. On the other hand these organizations could be lulled into

**"Conformity is a problem with me, too. Do you think I like looking like this?"**

comfortable complacency and sterile conformity. Apparently the act of "sticking one's neck out" to advance initiative, creativity, personal and corporate advancement, well remembering that "the turtle never gets anywhere unless it sticks its neck out" has been overshadowed by the contention that conformity, complacency and the non-creative approach often "prevents that head from being chopped off."

Both the pro and con of this theme have their staunch disciples unwilling to give ground to either side. Many in business today carefully view both facets of the situation and apply to their respective positions the best possible of each. Basically, however, there remains a strong line of agreement that management responsibilities rest with the individual, and that decisions finally made must be his, or one in which he concurs. Admittedly, the decision may reflect the comments and judgments of his associates, and to this extent an involvement into compromise is evident. However, the decisions must be made by one individual. Furthermore, although a committee might be used to transmit information, and thus aid the executive by furnishing facts, viewpoints, opinions, etc., the important factor remains — that very important decisions must always be pinned down as the responsibility of an individual. Finally, if it is considered desirable for a committee to make a decision, some individual should have the power to veto such a decision so that in the end it becomes his responsibility.

The Ansul Plan of Group Management advances the committee effort as a medium of communications but this plan always prefaces the prime reminder that the committee process *should not negate authority, squelch creativity, foster conformity, and approve complacency among executives.* The plan charters the policy that "each member of the conference be aware of his own and other men's job responsibilities."

Indeed it must also be realized that corporate executives are called upon to make decisions at times wherein committee-conference-group gatherings cannot necessarily be arranged. To expect management to continually rely upon the expressed opinions or views of a committee would and could stymie the decision processes, lessen progress, and finally allow opportune situations to remain unattended or be lost. A true-to-corporate case history, such unfolding frequently in industry, will present a literary touch to the decision making policy performed without compromise nor the committee process.

Consensus of management agrees that top successful executives are aggressive in a conservative sort of way, unwilling to take risks until sure all available facts were at hand, although they also must demonstrate a capacity to make spontaneous and intuitive judgments. When such decisions have to be made, they are not put off.

It is difficult to uncover executive judgment not accepting the committee process as a tool of management and as a desired medium of communications. On the contrary the process lacks acknowledged support if it results in the preventing of pin-pointing responsibilities, or hinders executive development, or forces upon management and individuals any degree of conformity, and finally if it threatens creativity, and adds to complacency. In many instances such evils are present, but overlooked, and the committee process is accepted, embraced and allowed to hinder organizational position and growth.

The two extreme degrees of this presentation can be exemplified with two thought provoking statements directed to the committee process. First, if one individual could always come up with the correct answer, we would not need a committee. Secondly, Napoleon, whose genius as an administrator was hardly inferior to his military prowess, made the revealing comment during his exile on the Island of St. Helena, "Throughout my reign I looked in vain for the man who could rise above routine and think creatively." Sandwiched between these comments is the accepted view of modern management which must choose its position and its battle colors in this the decisive challenge — Individualism vs. The Committee Process. ■

# Industrial Communications

## *the eve of maturity*

by P. V. G. WALLACE

THE "ELECTRONICS SUPERMARKET" that is rapidly developing in the communication products field, is a fortunate counterweight to the complex communication trends that are rising throughout industry. These trends are occasioned by such things as decentralization, increasing product and manufacturing complexity and functional specialization which mean that more scattered over more areas, will need more information and information in depth to enable them to accomplish their specialties. Products like closed circuit television, microwave transmission systems, and the computer families will offer the speed and accuracy of electronics to the solution of the problem. But the mere existence of these tools does not mean that the communication problems of industry are well in hand. Actually, they point to an urgent need for formal planning of internal as well as external communications throughout industry. The electronic handling of communications is going to require investment and the return on investment will naturally be in proportion to the wisdom with which that investment is made, so even before considering the capabilities of the products that we are coming onto the market, astute managers will take a fresh look at the communication requirements of their business — a fresh look, because up to the present time, internal communications in most companies have been on a rather informal basis and the lines that have evolved often do not represent most efficient practices.

In striving for a good communications system, a company is really striving for flexibility — the ability to meet changing requirements and swiftly move to the right or to the left or to reverse its field — to perform any gyration that is necessary to accomplish its objective. In terms of people, it means providing each contributor with the information needed to make the best decision at a give moment. The Navy placed a high priority on this kind of management flexibility in its Polaris Program by developing PERT — Program Evaluation and Review Technique. Through PERT, RADM. W. F. Raborn, the Director of the Special Projects Office, is supplied with information on current and predicted performance against schedules, of key items in the plants of more than 400 major contractors contributing to the program with some 3000 subcontractors involved. The effects of each item on the schedules of other items in the program have been carefully evaluated in such a way that slippage or better-than-predicted progress in any area is computer-analyzed to show its effect throughout the program. This permits the Admiral to marshall his strength to the weakest area at any given time for greater assurance of having a weapon system operational when planned.

Reducing the example from a 40 billion dollar weapons system to the information requirement of one individual within one company, this flexibility means abruptly halting an engineer's design efforts on a circuit that has been obsoleted by a systems change and promptly applying his efforts to another critical area.

Nor can the flexibility desired always be obtained through the communication of quantitative data. Frequently, the most profitable courses of action will result from the communications of a management strategy, the implementation of a new technology, an exchange of opinion on an important problem, or through certain types of education.

Actually, the process of deciding what is important, to whom it is important, and what course of action is to be followed is the real heart of industrial communication. Here is the area for significant professional contribution. And by applying talent to the analysis of these problems, management is laying the groundwork for the dramatic business of planning an electronic communication network. By identifying within his own business, what information must be received by each component, where that information is to be generated, what kind of abstracting and synthesizing should be done to make it meaningful, the manager is coming to grips with his day to day problem. But he should also be looking at his plans for the coming year and the next five years. Again he must consider what actions will have to be taken by what individuals to implement these plans. A very important consideration will be how to get immediate results in all his product areas from new technologies developed in the research facilities — this will lead him to recognize that in these areas too he needs a formal communication plan to get the quickest results.

*Photos opposite page: An intra-plant closed circuit TV network at the General Electric Ordnance Department, Pittsfield, lets Navy trainees study actual hardware in assembly and test without distractions of the surrounding factory nor disruption of vital production schedules.*

*Philip V. G. Wallace is responsible for product information activities on General Electric's Polaris inertial guidance and fire control programs. He has received a Bachelor of Arts degree with a major in Psychology from Fordham University in 1954. He joined the Engineering Services Division of the General Electric Company in July of that year.*

The value of this programmed communications approach can be seen in the rapid implementation of the negotiated buying throughout the General Electric Company. It is being done in this manner:

Purchasing Service in its continuous investigation of purchasing techniques, decided that in many areas of the business, the purchase of non-standard items in the traditional three bid basis really did not assure a fair price. More equitable pricing for both buyer and seller could be obtained through the negotiation techniques developed by the armed services during World War II. Since some 46% of the Company's expenditures are in the materials services purchased area, cost improvements of this kind are extremely important. The problem was to obtain:

1. Local Management understanding, acceptance and implementation of negotiated buying.
2. Understanding of principles and development of negotiating skills on the part of buyers.

Complicating factors were the geographic distribution of the Company's departments and the natural reluctance of people to abandon a traditional way of doing business in favor of one that places substantially greater demands on them. This is how the implementation of negotiated buying was programmed:

| AUDIENCE | DESIRED ACTION | MEDIA | | |
|---|---|---|---|---|
| | | 5-day Management Seminar - West Point | 1-day Regional Seminars to introduce Program | Intensive Courses |
| Manager-Materials | Understand & Approve | X | | |
| Purchasing Agent | Understand & Implement | X | X | |
| Buyers | Understand & Develop skills | | | X |

* Introductory slidefilm, manual and case histories provided by Purchasing Service for in-plant training.

The result of this plan has been the implementation of this technique in 14 plants through the training of 93 buyers. A result that could hardly have been accomplished with a less formal plan.

While the implementation of communication analysis and planning is bound to show better ways of doing things immediately, the objective of the progressive manager is not merely to have a workable practice or better practices that he had before, but rather to develop the best set of practices to provide the best possible operation for his own business. His analyses quickly reveal to him that poor information causes his business to lose time and money. If the engineer mentioned earlier works an extra day on a circuit that is obsolete, his company has lost money not only to the amount of that engineer's salary plus overhead, but also in the amount of the contribution he could have made to another project. If a company's manufacturing laboratory has developed a practice that will cut the cost of an operation by 20%, the company is incurring a 20% loss in that area until the new technique if implemented. Because timeliness is so important in communications, the application of electronics in this area promises businessmen handsome dividends. But the thing to remember is that electronics are media and answer the question "how" to distribute information, not "what" or "why".

Perhaps the best way to frame our thinking for the application of electronics is by considering a few very probable eventualities and then considering what kind of equipment procurement program would be most compatible with these eventualities.

First consider the extensive use of microwave transmission networks. These are networks capable of handling not only the telephone loads common to leased wires, but also television telemetry and facsimile signals. Microwave as the name implies, involves the use of radio waves of extremely short length. The beaming of these multi-purpose little waves between terminals and intermediate stations promises a transmission system that will cost less per mile than conventional wire transmission systems. Microwave transmission has been developed. The significance of microwave lies in its use as a carrier of the variety of signals generated by other communication products. The Federal Communications Commission is expected to render a decision making microwave channels available for industrial use in the near future.

Next, consider the use of closed-circuit television (CCTV). CCTV makes possible:

- The viewing of a single presentation, including speaker and visual aides by a) a large audience, b) several audiences, c) several audiences scattered over a wide geographic area when considered in use with a microwave transmission system.
- The remote viewing of activities in an inaccessible or hazardous area, e.g., viewing the reaction of a guidance system under a 10 G stress on a whirling centrifuge.
- Enlarged close-ups of small components on a piece of equipment while retaining the relation of the part to the whole, either through the use of a split screen or variable field lens.
- Remotely conducted tours of facilities through the use of traveling cameras equipped with variable field lens making it possible to focus the viewers attention on the most noteworthy areas.

Closed-circuit television equipment is commercially available and is being utilized in a constantly expanding sphere of application. Extensive studies conducted at Pennsylvania State University uphold a strong case for increased usage in education.

Still further, remembering that the purpose of the industrial communications system is to provide flexibility for business operations, consider the use of an electronic library. This would consist of a storage facility which would contain information, especially proprietary, recorded on information modules. There would be a referencing or indexing system that would permit an electronic search to be made in order to retrieve any desired piece of information. Used in conjunction with a microwave transmission system, this would make it possible for a specialist confronted with a difficult task, to obtain the best information available with-

in his company in a matter of a few hours, regardless of his location or the location of the individual who originally generated the information. In this area, there is a variety of computer equipment which seems capable of handling this kind of a task — the problem? Organizing the information and indexing in a manner that would be most useful to users. Also, establishing a truncated language to make computer handling of the information more efficient.

These are but a few of the more dramatic electronic communication products at industry's disposal. There is a long list of recording, computing and transmission equipment applicable to almost any communication problem and most of them are suitable for inclusion in broader communication networks.

* * *

Recognizing the advances that have been made in the electronic communication area, it is not rash to predict that a closed-circuit television screen might bring a manager a "morning report" consisting of vital sales, financial and production statistics gathered and correlated by computers at the close of the previous day's business; this to be followed by a series of "news type" programs available to specified audiences that would summarize significant activities in the various functional areas of the business, e.g.:

- Engineering — Design modifications, schedule changes, test results;
- Marketing — Customers requirements, field service problems;
- Manufacturing — Changes in availability of materials, effects of design modifications on deliveries;
- Finance — Effect of a new practice on per unit costs;
- Relations — Results of meeting with union representatives over a grievance, problem in processing suggestion awards, etc.

Later in the day, this communication network might carry a meeting of the president of the company with his key managers, located across the country. Perhaps the subject is an immediate need to marshall the company's resources in a certain market area that has suddenly been threatened by a competitor with a radically new market approach. This would conceivably put hundreds of specialists into action on a crash program to streamline a product line, and they would be calling upon an electronic library that would offer immediate up-to-date data that would otherwise require months of research. Later in the afternoon, these same lines might carry a series of training programs to sharpen the skills of salesmen, buyers, accountants, etc., each class taught by the best instructor available to the company, although the classes might be physically separated.

In planning the procurement of electronic communication equipment that will be compatible with such eventualities, the concern is for standardization. If the initial phase calls for electronic computation of statistics in various components of the business, the format of the end product in each area should be identical wherever possible. Otherwise, an additional computation will be required at a later date to establish meaningful company-wide data. If closed-circuit television is planned, the cable runs within each sub-network should be planned not only for immediate transmission, but with capacity for additional channels as the CCTV applications become more widespread. If microwave is being considered, again the plan should include not only the near future transmission of signals from a particular communication product but rather the handling of the full transmission load of a variety of products.

What is required by way of communication planning then, is a two phase approach: 1) Formal analysis of the communication needs of the business with emphasis on who needs to receive what information and from whom; 2) A study of communication products to determine what their use means in terms of increased flexibility and efficiency, bearing in mind a systems approach to which new and varied products can be added.

* * *

The feasibility of high-speed, large capacity electronic communication systems really indicate that industrial communications are on the eve of maturity. ■

**Figure I — ADDITIONAL ELECTRONIC COMMUNICATION AIDS**

| AID | BENEFIT |
|---|---|
| Pocket radio | Transmits messages to individuals who are not at a fixed location e.g., maintenance men, patrolmen |
| Two-way radio, portable telephone | Two-way conversation even with individuals in moving vehicles e.g., salesmen, installation technicians |
| Electronic telautograph | Permits tracing of line drawings or other visual messages from remote locations via telephone circuits e.g., design modifications, artist's "visuals" |
| Facsimile | Transmits charts and photos (including halftones) |
| Automatic Telephone Answerer and recorder | Telephone messages received and recorded in the absence of intended receiver |

*These are relatively simple electronic products that provide efficient high-speed communication. By reviewing the total information requirements of his business, the manager puts himself in a better position to profit from electronic communication systems.*

# RECORDING for the BLIND

by Hugh Estes

SAM members and other readers of Advanced Management represent an unusual collection of varied talents. Not the least of these is the ability to read and talk in a wide variety of technical languages.

A unique opportunity to use this ability is presented by Recording for the Blind. Here is a chance to enhance technical reading and public speaking skills while helping others help themselves. Here is a chance to help blind students with their own educational efforts.

Technical readers are especially needed — readers who can handle advanced textbooks in engineering, mathematics, the sciences, economics and general business. SAM members with language familiarity in these subjects will find regular reading for blind students to be extremely rewarding:

— It demands a *commitment* of personal time and effort rather than merely another charitable donation

— It is *individual* rather than just more committee work, and

— You know that the recipient, as a hard-working student, is more than meeting you half-way.

A few details follow. Those who would like more information concerning the possibility of taking a voice test can get in touch with the nearest recording unit, or with National Headquarters.

**What Is Recording for the Blind?**

Recording for the Blind, Inc. is a national, non-profit organization which records textbooks and educational material, free of charge, for any blind student or blind adult seeking an education. It operates only in the educational field.

It is founded on the belief that a blind person, with the

*Readers making a tape at the New York unit are Mrs. Eric Woolson and Mr. Walter Cronkite.*

*David G. Bridgman continues his studies through the use of records.*

proper education, can become economically independent and a productive member of the community.

It cooperates with, but does not duplicate the Talking Books program of the Library of Congress, which does not generally include educational texts.

It is supported entirely by gifts from individuals and Foundations.

### Who Does the Reading?

Recording for the Blind has established fourteen Recording Units in cities across the country. The Units operate under a Charter, setting certain standards of performance; but they are financially independent and raise their own funds.

About 1,500 volunteers — housewives, doctors, lawyers, professors, actors, scientists, businessmen — who have passed auditions and have been trained in recording procedures, read at the Units under supervision.

### How Are the Records Made?

The readers record on tape at one of the fourteen Units. The tapes are then sent in to RFB Headquarters in New York to be transcribed onto discs. By using a slow speed recording, $16\frac{2}{3}$ rpm, about an hour's reading can be put on a small 7 inch disc. An average textbook of 500 pages takes about 25 such discs and is about the same size as the printed book. This means easy handling and a great saving in storage space.

Books are recorded at the specific request of the blind user. From 3 to 12 copies are made of each book, depending on the demand. One copy is sent to the student who originally requested it, and the balance go to the regional public libraries serving the blind. These records are playable on the Model D Talking Book machines which the Library of Congress loans free to the blind, through the various state agencies.

### Who Uses the Service?

Currently Recording for the Blind is serving about 1,400 people, of whom about 700 are students in college, and 700 are blind adults engaged in some form of adult education. In addition, many hundreds are using its books by direct application to the public libraries where they are deposited.

In the education of these students, books in braille are very helpful; but such books are expensive to manufacture and bulky to handle, and many blind students do not know braille.

The human reader is also of great value, and some states and agencies provide financial assistance for this purpose. But the reader is only available at certain hours; and he cannot be "played back" whenever the student wishes to have certain sections of the book repeated.

*Hugh Estes is consultant to the General Electric Company. Degrees: B.S. in Mechanical Engineering — University of Michigan. He has published articles in other leading magazines.*

## NATIONAL HEADQUARTERS

**121 East 58th Street**

**New York 22, New York**

### RECORDING UNITS

ATHENS, Georgia
Ga. Center for Continuing Education
University of Georgia

BERKSHIRE COUNTY, Mass.
Lenox Library
Lenox, Massachusetts

CHARLOTTESVILLE, Virginia
1601 University Avenue

CHICAGO, ILLINOIS
600 South Michigan Avenue
(Room 910)

DENVER, Colorado
Henry White Warren Branch Library
3354 High Street

DETROIT, Michigan
Kresge Science Library
5250 Second Boulevard

LOS ANGELES, California
Fremont Branch
L. A. Public Library
6121 Melrose Avenue

GREATER MIAMI, Florida
Miami Public Library
One Biscayne Boulevard

LOUISVILLE, Kentucky

NEW HAVEN, Connecticut
New Haven Public Library
133 Elm Street

NEW YORK 28, New York
112 East 96th Street

OAK RIDGE, Tennessee
Post Office Box 531

PHOENIX, Arizona
Phoenix Public Library
Civic Center

PRINCETON, New Jersey
100 Stockton Street

# AGGRESSIV

## *a management resource*

by

Leo M. Elijah

THE SUCCESS of an enterprise is entirely dependent on how it is organized; hence upon the competence of its top executives. When giant corporations or small businesses compete against one another, it is not the brawny muscles of factories that vie for superiority, but the brains of controlling personnel that determine end results. The aim of any management group is to eliminate all costly malfunctions which reduce its maximum profit potential. It is understandable, therefore, that most of our failures today are directly chargeable to poor management.

Since the "Art of Management" of yesterday has developed into a highly diversified science, it is not surprising to find a large number of executives with a hazy concept of its finer points and the dynamic nature of its power when applied correctly. This becomes obvious when one realizes that a high percentage of our managers, executives and supervisors were advanced from the ranks via basic job ability, initiative or personality, and then left to shift for themselves.

More important than any of these traits, however, is one termed "psychological disposition", the inherent ability to organize, guide and direct effort, to obtain maximum results through the loyalty and respect of subordinates. As this characteristic is intangible, the only measurable criteria for executive evaluation are the results achieved, based on the enthusiasm created in assistants and reflected in their attitudes.

Management is a science and a full-time profession that is concerned with problems. It cannot be completely taught, but it certainly must be learned. Its ramifications are vast and numerous. Basic training, involving particular emphasis on the psychological aspect, is essential.

The professional manager's chief problem is time. His main obstacle is money. His most important tools are his subordinates — tools he must choose with care and use with understanding. His only real product is progress.

An industrial corporation, when viewed from the standpoint of an indifferent spectator, is merely a structure for the promotion of economic purposes. Upon closer examination, it is observed to be a human organization in which the hopes and aspirations of individuals are trying to find expression. It becomes evident that executives must be dominant leaders to get individuals to work together to manufacture and market a product at a profit. Leadership, not domination, is necessary. True leaders are marked by their individual craftsmanship, idealism, insight, initiative and energy, together with deep qualities of courage, self-discipline and self-confidence. Leadership demands dependability, bravery to accept probability instead of certainty, and the willingness to concentrate all one's energy on an endeavor to make it come true.

Management is taking on newer and greater dimensions than ever before. Technology is accelerating at a pace never before equalled in history. With ever-increasing competition, horizons in all branches of knowledge are being extended further and further, aided by a growing population, persistent customer demand for product improvement, rising incomes and the resulting higher standard of living and shorter working hours.

### Philosophy of Management

Every division of an organization must be coordinated and integrated to function as a closely knit, well-lubricated system operating at top efficiency. The common denominator of "cybernetics" — the control of humans and machines — applies throughout.

Thus, more than ever before, management has become both an art and a science. Selling, for instance, is no longer just a matter of hiring a salesman, asking him to find a customer and to return with an order. It involves production of a superior product competitive either pricewise or from the standpoint of quality, market research, product planning, dynamic advertising and sales promotion to develop effective channels of distribution. It requires making a better product at a lower cost at the right time, orienting the business constantly toward the customer. As Charles Kettering once remarked: "I have always believed in the double profit system. That's where the customer as well as the supplier make a profit."

In any type of business today, in any field of human endeavor, innovation is the life blood. For success, constant, continuous improvement must be made by placing initiative and originality at a premium. The saying "To stand still is to move backwards" is very true in our high-gear economy. To gain ground you have to move faster than your competition. This makes any form of lethargy or procrastination extremely fatal, for when you are positive that your product can no longer be improved, someone else will come up with an improvement; there is room for only one at the top.

### Essentials of Organization

Prerequisite to the success of any management team is a healthy, stimulating climate that induces greater effort

toward superior performance. However, adequate stimulation of the individual toward self-improvement must be combined with psychological tests, job rotation, performance reviews, etc. The best conceived training will soon wither in an atmosphere where arbitrariness and uncertainty abound, or where clear-cut objectives, responsibility assignments and objective accountability do not exist. Without a clear picture of what is expected, individuals are subject to an atmosphere full of weakening, enervating doubts.

### Choosing the Right Executives

Choice of an aggressive management team is vital to the success of any company. A highly progressive approach to this problem is essential.

Countless people today use tranquilizers to get away from themselves and escape the things they cannot face. How often have you heard the phrase: "I've done the best I could"; when the best obtained was mediocre?

Nothing develops executives more effectively than an assignment of substantial responsibility. Latent ability rises and flourishes when given the opportunity to perform. A firm, understanding, participating approach is required. Setting up the proper climate for effectiveness is the cornerstone of good management.

An executive is a catalyst who can get people to work together to achieve a certain purpose. He is able to get along with people through an innate liking for them. He chooses subordinates wisely and commands their respect by his knowledge, fairness, sound judgment and ability to motivate rather than drive. He develops a helpful attitude rather than a critical one, giving each assistant a proprietorship and a sense of belonging to the business through active participation and consultation. He earns the cooperation of associates through an understanding of their problems and a willingness to coordinate his work with theirs. He earns the respect of superiors by implementing and increasing his effectiveness by being able to take constructive criticism and to follow their directions intelligently, while contributing helpful ideas of his own. He possesses orderliness of mind and action, the capacity to size up situations, to organize, plan and effectively delegate work and responsibility by knowing in advance about work requirements and planning for the prompt and efficient execution of same.

### Shortages of Essential Personnel

In recent years, many organizations have felt the pinch of a high turnover of competent members of their staffs, resulting in a drop of productivity, lowering of efficiency and decreasing of profits. When this occurs, even with every division trying its best to maintain maximum production and to keep profits up, it is a losing battle, since the essential, trained, "results-getting" personnel are absent from the organizational team. When profits begin to plunge downward and costs commence to spiral upward, managers become concerned and apply brakes everywhere. Executives are shuffled, product research is intensified, diversification investigated, etc. Although there is some justification for each of these "escape" methods, the fundamental reasons are seldom isolated.

Lack of recognition, professional and otherwise, coupled with lack of opportunity, builds up feelings of frustration among personnel who are willing and able to accept responsibility as creative members of a management team. In almost every organization, there exist the very men that top management is searching for, but they are given other jobs —whittled into square pegs to fit round holes. Management must realize that professional men are like specialized high grade tools. To obtain the best results they must be used on the right job in the right way. A high-powered elephant gun is never employed to shoot wild duck, yet many professional personnel are assigned to second-echelon jobs and low grade work which could be completed more effectively by individuals with less training and background working under the guidance of these skilled professionals.

Some large firms have training programs, but pirating still continues on an unabated scale without any attempt to uncover and develop the immense wealth of uncut, untried talent waiting to be picked from within an organization's own ranks.

### Rating the Organization's Effectiveness

A. General Company Policy

1) *When there is an all-out drive to cut costs, does it turn out to be an "Economy Drive" or a "Profit Improvement" campaign?* In the former, everything gets economized and loses efficiency by ignoring the fact that money can only be made by spending money—intelligently!

2) *Is the principle of "brainstorming" widely employed and encouraged for the solution of important or refractory problems?*

3) *Are regular "Operations Review" meetings held to take a balanced and coordinated approach to the various functions of the company, with every major operation area being reviewed and evaluated in terms of the return on investment in a factual, conclusive, action-centered manner?*

4) *Does the "Organizational Chart" also serve as a replacement medium for substitution of personnel, requiring executives to train a subordinate to assume complete responsibility in case of absence?*

5) *Are consultants not called because of their high fees?* Consul-

*Leo M. Elijah, metallurgical director of The George Sall Metals Co., Inc. Degrees: M.S. in metallurgical engineering — University of Wisconsin. He has published other articles in allied journals.*

tants make available costly facilities, equipment and experienced personnel not normally employed in a plant.

6) a. *Is a well stocked technical library readily available to all?*
b. *Are activities in technical societies actively encouraged by payment of fees, allowing time off for meetings etc?*
c. *Is financial assistance given for further studies?*

7) *Does an individual regularly review all new patents of interest to the company, sending applicable ones to the departments concerned?*

8) a. *If the firm is a "captive" part of a larger organization does it:*
i. Employ the best, most advanced automated equipment available?
ii. Use statistical methods to obtain costs, wages, profits etc?
iii. Employ sufficient technically trained personnel?
iv. Have a research and development program to keep ahead of the field?
v. Have effective training programs for maintaining an adequate supply of skilled workers, trained technicians and executive personnel?
vi. Have good labor relations?

b. *If the firm is a small, independent unit does it:*
i. Use modern equipment that is flexible, adaptable and efficient?
ii. Make maximum use of available equipment?
iii. Make maximum use of competent engineers to cut costs?
iv. Always keep on the lookout for new products and better methods?
v. Insist on quality and reject orders yielding low profits?
vi. Stress service to customers, meeting promised delivery dates?

B. Personnel Relations

1) *Is there loyalty to the company and its products which produces a dedicated approach down from the top and up from the bottom?* Would labor produce without supervision? Do engineers think up better methods and improved products even in their spare time? Would salesmen rather sell than eat?

2) *Are "attitude surveys" taken regularly of all employees to determine their opinions on:*
a. The company as a place to work and grow, in regard to their ambitions?
b. Their supervisors and management effectivity?
c. Their jobs, working conditions, benefits, incentive plans and pet grouses?
d. Suggestions for improvement?

This is a valuable method of determining emotional and psychological maturity, reasons for high turnover, high scrap, lower product quality, minor incidents, productivity drop, also helping to reduce grievances

3) *Are all key personnel, even below supervisory level, made to take psychological tests to ascertain their latent capacities, correlate past performance and assess future possibilities?*

4) *In which of these two ways are personnel addressed (bulletin or otherwise)?*

To all employees of the XYZ Company —
a It is hereby brought to your attention that anyone found parking on the south side of the plant will be disciplined; Or
b. All personnel are requested not to park on the south side of the plant as this causes unnecessary congestion and may result in damage to your car.

The former method is still used. Is it surprising that with this attitude, they are involved in constant labor disputes?

5) *What kind of labor relations does the company have:*
a. A non-union shop?
b. An independent union?
c. A strong union affiliated to a national organization?

6) *Are people hired on their own merit regardless of age, nationality, religion, sex or physical handicap, provided that these factors do not interfere with the job to be done?* Physically handicapped workers are more conscientious, old timers more highly skilled and experienced and women more dexterous and adaptable.

C. Finance

1) *Is it company policy to reinvest a large portion of its profits back into further development and expansion, rather than borrow from outside sources at a high rate of interest?* For a company to grow faster than its competition or stop regressing, it must put more money back into its business.

2) *Are there any (a) Profit sharing and (b) Stock purchase plans in effect?* When foremen and executives are given a "financial interest", they change from "drivers" to "helpers". Similarly by creating a "financial stimulus" for all employees, productivity and efficiency are increased, carelessness and scrap are minimized. Stock purchase plans help stabilize markets by distributing stock more evenly, also permits more stock to be sold with money which might have been invested elsewhere.

3) *Are cost controls factual, fair and enforced?*

D. Production

1) *Can potential production snarls and excessive costs be anticipated and prevented before they develop?* The cost of being idle (men or machines) is almost as much as the cost of being at work; hence the only real way to cut costs is to produce the maximum amount of good material from a given setup, in a given time.

2) *Does the company encourage good natured competition and rivalry between different divisions or departments, organized solely for the purpose of spurring productivity and increasing safety?* For example, an unwanted, brightly lit 8-ball is "awarded" to any department having the most safety demerits or the lowest productivity.

3) *How effective are inventory controls?* Excessive inventories are costly, run the danger of obsolescence, rehandling, scrapping, plus the cost of storage bins and warehouse space, tying down capital that may be used more profitably elsewhere. Scanty inventories jeopardize production schedules and delay delivery dates.

4) *Is full use made of statistical quality control methods?* Correct utilization of statistics can save considerable time and money.

E. Purchasing

1) *Is the main function of Purchasing to buy what they are told?* Purchasing is a profit-making activity. Savings result in profit, just as from any other function. Its knowledge of business and experience in market conditions must be utilized for obtaining advice on best sources, formulating policy decisions regarding make or buy, manufacturing problems or consideration of new product ideas. If specifications have been frozen before Purchasing receives them, it is costly, difficult to change and very irksome if early delivery is required, leaving no room for the purchaser to maneuver and use his specialized ability and knowledge for the company.

2) *When perusing a proposed project for capital expenditure that looks good, which of the following questions is asked:* "Can we afford it?" Or "Can we afford to be without it?" This divergence in viewpoint causes one company to stumble along, year after year at the same pace, while another similar company widens its operations and achieves maximum results towards a profitable growth.

F. Advertising and Sales

1) *How effective are the advertising campaigns in reaching your markets?* Are the methods employed of convincing people about the superiority of your products inferior, insufficient or inadequate? Don't you buy most articles because you desire them and not because they are basic necessities?

Hence, all efforts should be concentrated on creating an intense desire for the products to be sold.

2) *What is the sales policy of your company?* The problems of selling a product are usually more exacting and numerous than those of manufacturing it. To quote Don G. Mitchell, "If any company wants to get ahead, it must regard selling as a company wide responsibility, not something restricted to the sales force. It begins long before the first unit is produced — with top management's decision to have a research organization, with proper people and facilities to bring out new ideas as insurance for the future. It begins when top management decides to have the best plant and equipment it can obtain and the best people it can find to run that plant; that a reputation for selling a quality product at the lowest possible price is the kind of a reputation to have."

3) *How effective is marketing in analyzing the markets?* How regular and accurate were past analysis and forecasts in determining the consumers' wants? How much and of what kind? Does the head of Marketing tell the head of Production, "This is what we are going to sell — Make it'!'?

4) *Are all potential customers reached and sold by fully developing present product lines and existing market range to a maximum before attempting to diversify into other fields?* If important markets, where the highest skill and best experience lies, are neglected, it will be rough going in strange areas.

G. Engineering

1) *Is there a definite standardization of procedures?* In other words, is the sequence of operations of every process put down in writing so that it may be followed, duplicated or analyzed by another competent individual?

2) *Are all engineers so trained, that they are able to detect flaws, eliminate waste motions, simplify procedures by utilizing the principles of Work Simplification or Operations Research?*

3) *Is work study widely employed as a tool for studying direct and indirect labor, thus establishing standard time data and also effecting considerable savings?*

4) *Is Research and Development well informed as to:*
a. Advanced production techniques employed by rest of industry?
b. Future developments planned?

Nothing is worse than a lower priced or better product in the hands of competition.

# University Division News

By HAROLD FISCHER, President

● This communication from the internationally known Industrial Engineer, Dr. Lillian M. Gilbreth, who was unable to participate in the presentation of the University Chapter Awards at the Fall Management Conference in New York, is of interest to all the members of the 181 Chapters of the University Division.

My dear Professor Fischer:
Here is the short message I promised to write to your University Chapters. It carries all my good wishes to them and to you.

Cordially yours,
Lillian M. Gilbreth

"This seems to be an age when lack of youth is a liability and youth an asset, so far as opportunities are concerned. The Young Executives group, — the Junior Chamber of Commerce, — the Under Forty group — these should all convince the members of our Student Chapters that they are wanted and needed, and that their efforts will be appreciated.

But opportunities bring responsibilities and we are sure our Student Members realize this. You are needed to help on jobs and projects that S A M undertakes. You are wanted to suggest and initiate service projects. We are very proud of such projects and they are increasing all over the country. We need the challenge of your questions— the inspiration of your enthusiasm — the assurance that you plan to be life long members of S A M — willing to help — glad to be of use — ready to welcome the new student members — as you transfer "up the line". WE LOOK TO YOUR LEADERSHIP IN THE YEARS TO COME!

● Professor George J. Gore, Faculty Advisor of the University of Cincinnati Chapter, reports a unique display for use in publicizing S A M meetings as well as in membership drives. "The two circles at the top flash alternately, first red with the message 'join' then green with 'S.A.M." The white background is illuminated from behind and the letters are black plastic and red plastic for the largest letters. The letters at the bottom spelling out the Society name are gold decals." This sign is located in the main hallway of the College of Business Administration Building, and certainly is effective in attracting attention to S A M.

LaSalle College — Evening Division: New Display Set-up Used at Registration.

● The President of the LaSalle College— Evening Division Chapter, Larry Quinn, attributes their membership success this year to the following:

"1. The tremendous growth and achievement record of S A M.
2. This chapter's reputation locally.
3. Implementation of a new display setup at registration. (see picture)
4. We made plans early and were well organized for the membership drive.

We definitely had something to offer! CREATIVE THINKING . . . GOOD ORGANIZATION AND PLANNING . . . EFFECTIVE FOLLOW-UP . . . DYNAMIC LEADERSHIP . . . ALWAYS PRODUCE HANDSOME DIVIDENDS!"

## COMING EVENTS

| | |
|---|---|
| January 27, 1961 | S.A.M. Executive Committee Meeting, Los Angeles, Calif. |
| April 6-7, 1961 | S.A.M.-A.S.M.E. 16th Annual Management Engineering Conference, Statler-Hilton Hotel, New York |
| April 8, 1961 | S.A.M. Executive Committee Meeting, Statler-Hilton Hotel, New York |
| June 23, 1961 | S.A.M. Executive Committee Meeting, Indianapolis |
| June 16 to 26, 1963 | CIOS, 13th International Management Congress, New York City |

Northern Illinois Charter Presentation: Left to right: Joseph P. Gilhooley, and J. L. Kennedy of the Clearing Senior Chapter — James E. Newsome, President SAM — Dr. Ralph Novak, Faculty Advisor — Dave Smith, Student President

University of Cincinnati: New Electric Flashing SAM Sign. Left to right — Dean Windgassen, President, George J. Gore, Faculty Advisor.

*Introducing a new column summarizing many items of National and Regional interest that arrive in the ADVANCED MANAGEMENT In Basket during the month. If you have any items of interest to SAM members, please send to: "IN BASKET", ADVANCED MANAGEMENT, 74 Fifth Avenue, New York 11, N. Y.*

### Lawyers To Compute

**The first National Conference on Law and Electronics was held in October in California to explore ways in which computers may be used in jurisprudence. They discussed the use of data retrieval systems for extracting previous cases to make available a huge source of legal precedence material. Now all we have to do is figure out some method of automation that will accelerate the overworked court calendar in the face of this new deluge.**

* * *

### Dishonor Roll

**Travelers Insurance Companies (Hartford, Conn.) has published *The Dishonor Roll*—The Travelers 1960 Book of Street and Highway Accident Data which is packed with statistics and clever cartoons about safety. The cartoons are not copyrighted and are offered for anyone's use with or without credit. In addition to the booklet, suggested fillers, editorials and safety feature stories are enclosed.**

* * *

### Scorpion's Sting Harnessed!

**Whipscorpions fight each other with a chemical weapon that has most of the qualities of a perfect commercial insect spray. Prof. Thomas Eisner, entomologist of Cornell's College of Agriculture, made the find while doing research in Arizona. He says maybe scientists will be able to duplicate the whipscorpion's feat, giving people a better spray than ever.**

### Management and Corporations—1985

Fifteen distinguished leaders from business, law, education, the social sciences, religion, and philosophy take a probing look into the world of business management and its institutions a generation from now in "Management and Corporations 1985," a Symposium Held on the Occasion of the Tenth Anniversary of the Graduate School of Industrial Administration, Carnegie Institute of Technology. Edited by Professor Melvin Anshen and George Leland Bach, Dean, Industrial Administration, at Carnegie Tech, a collection has just been published by McGraw Hill. Here are two excerpts:

". . . the business organization in 1985 will be a highly automated man-machine system, and the nature of management will surely be conditioned by the character of the system being managed . . . Both the factory and the office are rapidly becoming complex man-machine systems with a very large amount of production equipment, in the case of factory, and computing equipment, in the case of office, per employee. The clerical department and the factory will come more and more to resemble each other . . . As less and less work becomes man paced and more of it machine paced, the nature of supervision will undergo change . . . There is reason to believe that the kinds of activities that now characterize middle management will be more completely automated than the others and hence will come to have a smaller part in the whole management picture."

—Professor Herbert A. Sloan

**"Sober preduction suggests that in 1985 corporations will continue to be the chief vehicles of American production and distribution. Probably there will still be the fact that five or six hundred such organizations will produce between two-thirds and three-fourths of American industrial production . . . the real reason for corporations' right to continued existence lies precisely in the fact that they can organize, apply, and use capital to meet increasing and changing economic wants with a speed, an economy, and an efficiency greater than most other forms. They can apply new methods and pioneer new fields . . . corporations can move more swiftly, construct more rapidly, arrange for distribution of product more effectively, than other forms of economic institutions."**

**—A. A. Berle, Jr.**

### Germany's New V-2

*The German economy for the first half of 1960 skyrocketed 90% as compared to the first half of 1959 in semi-finished products. Its raw materials are up 45%, finished products up 25% and foods up 22%. Interestingly enough France and the Netherlands have become the largest importers from West Germany with the U.S. as the third largest consumer. Big News that sent the stock market soaring was that Germany, through Degussa, has perfected a low cost centrifugal method of production of uranium 235.*

* * *

### Survival And Computers

**James E. Sloan of R.C.A., speaking to the Institute of Radio Engineers in Florida last month, noted that our survival depends on the split second calculation of electronic brains in the event of missile attacks.**

**"American military commanders would have the information necessary to launch a retaliatory attack only ten seconds after the first enemy missile is detected in the event of a sneak attack upon the United States and Canada."**

* * *

### Anniversary Stamps

*You can publicize your anniversary dates with stamps indicating the event, available from the T. K. Sanderson Organization (200 E. 25th St., Baltimore 18, Md.).*

* * *

### Perry Mason Strikes Again!!!!

**Evidence that Perry Mason is not alone associated with television's pursuit of criminals has been turned up by a C.P.A. bearing the same name. He is Dr. Perry Mason, an Associate Director with the American Institute of Certified Public Accountants. Dr. Mason received the Alpha Kappa Psi Foundations' Award for Distinguished Service in Accounting for 1960. Dr. Mason's citation was presented at the fraternity's Northeast Regional Conference held in Buffalo on October 29, 1960. Nothing stops that Perry Mason!**

* * *

### Films

• From time to time information comes across our desk that seems worth passing on to interested readers of this column. One such is a film called "Language in Action" which is a collection of thirteen films examining the fundamentals of human communication. They appear to be recommended for business and industrial organizations dealing with personnel. They run thirty minutes each, are in black and white and may be purchased or rented from National Educational Television Film Service, Indiana University, Bloomington, Indiana.

A film that we had an opportunity of reviewing recently at the Human-Problems-in-Management Conference in Hartford was a ten minute color film put out by the World Health Organizations called "To Your Health". The film deals in the most graphic interesting and direct way with the problems of alcoholism in management and is one of the most effective films on the subject viewed by the Editor.

# Management • Bookshelf

Review of
EXECUTIVE COMPENSATION
By DAVID R. ROBERTS,
Professor of Economics,
Dean, College of Business Administration,
Butler University

This is the sort of book that recapitulators of economic and management theory, in future years, may cite as an important contribution. The author has assembled a convincing set of statistical experiments from which he has constructed hypotheses about the *relationship between the compensation of the managerial class and the size, profitability, and other characteristics of the enterprises which they manage.*

### Contribution to Economic and Management Theory

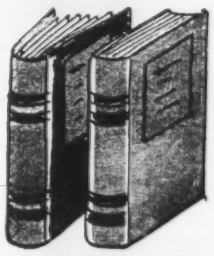
Economic theory "has been built around four functionaries: the wage-earner, the capitalist, the rentier and the entrepreneur." This omits the manager, who is very obviously an important gear in the economic machine today, and usually differs, in function, from the other three. Professor Roberts' objectives are stated as follows in his preface:

"The present work is an attempt to make good this deficiency by introducing the executive explicitly into the theoretic model."

One important aspect of Professor Roberts' conclusions is his effort to determine whether executive compensation has been or should be effectively related to profits. If we talk in terms of relative profits, a rate of profit on sales or net worth, then he finds no significant relationship. The significant relationship is between total dollar profits and salary levels, which comes close to saying that a profitable large company pays more than a small unprofitable one.

### As a Statistical Exercise

The book might well be kept in mind by college faculty members looking for case material to use in courses on business statistics. The author sets up hypotheses based upon his knowledge of corporations, people, economic structure, then tests them by the use of various statistical techniques in a clear and orderly manner.



### Readability and Format

The book is photo-reproduced from typewritten manuscript without the relief of any sub-heads in bold-faced type, or of various other devices such as have proved useful in this type of reproduction. It is not attractive.

Of course many of the large tables and charts must be run the long-way of the page; however, in this book a unique effect is achieved by having the charts facing left and the tables facing right so that the reader becomes slightly dizzy twisting his book through 180 degrees.

In short, the publisher can benefit from added experience.

### Summary

This seems to be the type of book which will add to the academic prestige of its author. He has made a real contribution to management and economic thinking and it is regrettable that its circulation will probably be limited by poor format.

W. M. Jr.

* * *

Review of
THE CRISIS WE FACE
By GEORGE STEELE and PAUL KIRCHER,
Publishers: McGraw-Hill Book Company
New York, 1960

This book by a computer expert and a Professor of Management of the University of California has as its sub-title "Automation and the Cold War". It is probably one of the most exciting and provocative books on the subject to appear in a long time. The authors suggest that the American Society is caught in a trap of hyper-complexity. The crisis we face is "inadequate automation, long delayed and . . . that the line and staff methods of archaic military tradition is not workable in organizing machines and men into a single integrated automatic defense system."

Our only hope in this Society, they suggest, is to "multiply the output of the man by giving him automatic weapons and machines and to achieve this multiplication so greatly, rapidly, and efficiently as to outdistance the enormous populations now organizing against us." The authors strongly feel that automation requires the abandoning of old division lines of responsibility and even our business school curricula with their historic separation of the fields of accounting, personnel, production, marketing, finance and management.

We are pursuing a course, says Steele and Kircher "that leads to severe over-complexity, the nature of this complexity arises not from the basic requirements of automatic control, but entirely from our disintegrated approach to the invention, development and production of military and commercial automatic control devices and business computers. In the field of Management, they suggest we need to develop better means of organizing men and information. The American Executive, they feel has come to depend on formula controls, cost variances, rate on return of investments, budget allotments, production schedules and so on rather than on integrated communication and evaluation.

"The managers, the generals, and the political leaders of tomorrow can no longer rely solely on prejudice, a smattering of science, and a knowledge of how to handle men. To these they will have to add intensive technical training in science, mathematics, economics, and administration. Reliance on staff experts is not enough. Someone has to be able to select the experts, to judge between them when their opinions on design differ, and to dismiss them when they are wrong."

"Rapid, real technological change is the new basis of life for America. A managerial class which delays advances through ignorance or, worse, accepts and develops inadequate substitutes, perils the very life of our nation."

"Unless these attitudes are changed, unless the design of organizations moves up from the level of the thermostat, our methods of decentralization will leave us as armor-plated and big-rumped as the Stegosaurus, and eventually as extinct."

H.A.S.

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